The EU´s external energy security policy

A comparative analysis of the EU´s external energy relations

Hanne Cook

Master´s thesis
Department of political science

UNIVERSITY OF OSLO

23 May 2011

2011

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Author: Hanne Cook

http://www.duo.uio.no/

Print: Reprosentralen, University of Oslo

Abstract

This thesis analyses the EU´s external energy security policy through a comparative analysis of the energy relations between the EU and important producers of natural gas; Russia, Norway, the Mediterranean, Gulf and Caspian region. In order to detect variation in the policy, three strategies the EU can pursue in order to enhance its energy security are derived based on the debate between realism, economic and institutional liberalism around necessary means to strengthen an energy consumer's supply security. The analysis reveals that the EU relates itself differently to the producers in terms of what strategy it makes use of and the effort it puts behind each of the instruments; as such there is variation in the external energy security policy of the EU. Overall, the EU has put most effort into those strategies that aim at market creation and institutionalisation of the relationship. This was expected given the nature of the EU as a foreign policy actor, and the status of energy policy at Community level. Nevertheless, the pattern is a bit more nuanced as several political strategic instruments also are detected. It was assumed that certain characteristics of the producers, such as regime type, level of resource richness, degree of interdependence with the EU and conflict level would contribute to an explanation of this variation. Yet, the comparative analysis reveals that they are not adequate as explanatory factors, and other factors have been pointed to, such as perceptions of supplier role, transit potential, geographical proximity, strategic importance in terms of security, crisis management and diversification, along with resource richness to some degree at the regional level. The findings indicate that the EU aims to enhance its energy security along several dimensions, and that various external factors can contribute to explain its external energy security policy.

Acknowledgements

The writing of this thesis has at times been both challenging and frustrating. Nevertheless, it has been a great learning experience which has allowed me to combine my interest for energy policy and international relations. Finishing this thesis would however not have been possible without help.

First of all I would like to thank my supervisor Dag Harald Claes for inspiration, support and great advice during the whole year.

A special thanks also to the *Geopolitics in the High North* project for giving me financial support and the opportunity to participate in interesting conferences and discussions around European energy policy, and to Cindy for thorough and honest feedback on language and structure.

Sincere gratitude to all my friends and fellow students at Blindern, especially Cindy and Nina; this experience would have not been the same without you both academically and socially- we did it! Thank you also to my friends outside of the University for reminding me that life has more to it than political science.

I wish to thank my parents for always believing in me and for their valuable support and unconditional love throughout the whole process. I also want to thank my sisters; Hege for providing me with necessary breathing space, support and homemade dinners, and Kine for unconditional support for her big sis. To my nephews and niece; thank you for bringing joy into my life!

Possible errors in the following text remain my responsibility.

Oslo, 23 May 2011

Hanne Cook

Word Count: 50717

Main body: 41978

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Abbreviations and Acronyms

BP: British Petroleum
CAIF: Central Asia Investment Facility
CIEP: Clingendael International Energy Program
COW: Correlates of War
CS: Common Spaces
DCI: Development Co-operation Instrument
EBRD: European Bank of Reconstruction and Development
ECT: European Energy Charter Treaty
ED: Energy Dialogue
EEA: European Economic Area Agreement
EEAS: European External Action Service
EFTA: European Free Trade Area
EIA: U. S Energy Information Administration
EIB: European Investment Bank
EITI: Extractives Industry Transparency Initiative
EMP: Euro- Mediterranean Partnership
ENP: European Neighbourhood Policy
ENPI: European Neighbourhood Policy Instrument
EWM: Early Warning Mechanism
FDI: Foreign Direct Investment
FPA: Foreign Policy Analysis
FTA: Free Trade Agreement
GCC: Gulf Cooperation Council
IEA: International Energy Agency
INOGATE: Interstate Oil and Gas Transport to Europe
IR: International Relations
LNG: Liquefied Natural Gas
MEDA: Measures D´Accompagnement
MoU: Memoranda of Understanding
NATO: North Atlantic Treaty Organisation
ND: Northern Dimension
PCA: Partnership and Cooperation Agreement
R/P: Reserves to production ratio
SIPRI: Stockholm International Peace Research Institute
TACIS: Technical Aid to the Commonwealth of Independent States
TcF: Trillion cubic feet
TEN- E: Trans European Energy Networks
TRICECA: Transport Corridor to Connect Europe via the Caucasus to Asia
UfM: Union for the Mediterranean
UNCTAD: United Nations Conference on Trade and Development
WTO: World Trade Organisation

1 Introduction

> "With both energy consumption and dependency on oil and gas imports growing and supplies becoming scarcer, the risk of supply failure is rising. Securing European energy supplies is therefore high on the EU´s agenda" (European Commission 2010a).

At the beginning of World War I, First Lord of the Admiralty Winston Churchill ordered the shift of power source of the British navy´s ships from coal to oil, implying a need to rely on foreign oil supplies, most notably insecure ones from then Persia. In order to secure energy supplies, Churchill underscored that: "safety and certainty in oil lie in variety and variety alone", and thus he established a crucial factor for energy security, namely diversification. It also became closely linked to national strategy (Yergin 2006:69). Since then the concept of energy security has emerged high on the international political agenda from time to time, and especially during the oil crises of the 1970s. Today, it is again receiving wide attention, due to higher energy prices, regional supply shortfalls and new looming predictions of "the end of oil" (Bielecki 2002:236). Moreover, one has seen a broadening of the term security so that it encompasses more than a preoccupation with the state and military defence, leading to an increasing realisation of the fact that energy security does not stand by itself, rather it is connected to the larger relations among nations, and their interaction (Collins 2010:7, Yergin 2006:69). Energy security has thus become a "hot topic" in the international debate as a result of growing concern over the quantity and reliability of state´s energy sources. The existence of reliable supplies is a prerequisite for economic activity (Raphael and Stokes 2010:379-380), as energy is one of the key inputs into all economic processes; "it is a source of power, heat and mobility that are indispensable for normal functioning of any modern society" (Bielecki 2002:236).

Simply put, energy security means "reliable and adequate supply of energy at reasonable prices" (Bielecki 2002:237) and it is seen in relation to both oil and natural gas. Yet, the implications of these two commodities for energy security are somewhat different. As oil, natural gas is a non- renewable resource, and it is rapidly gaining geopolitical importance in the international energy market. Factors that create the global market for gas are abundance, cost reduction and rising demand. It is becoming the fuel of choice for many uses, most notably the generation of electric power. However, a high proportion of the gas reserves are situated outside the regions where demand growth is expected to be strongest (Barnes et al 2006:3). International trade in natural gas is made possible and restricted by

cross- border pipelines (Fermann 2009:20). Compared to the oil market, the change of supply source is much more difficult. Even though LNG and other unconventional forms of gas are now bringing a new dimension into this picture, the bulk of the world´s gas resources are transported via pipelines. Moreover, gas is very costly to transport and infrastructure connections take a long time to construct. There are also a lot of sunk costs involved in developing projects (Hayes and Victor 2006:348). All of these characteristics imply cross-border trade, and with this, a renewed attention to energy security and geopolitical considerations of the relationships between exporting and importing countries.

In this situation of increased attention to energy security, one finds the European Union, consisting of 27 member states. In view of natural gas, the EU currently has a limited number of supplying nations and companies dominating external supply, relatively few transit lines and close to all growth in consumption must be imported (Austvik 2009:90). Consequently, the energy security focus is security- of- supply, and moreover; "when speaking of European energy policy one evidently encounters the issue of management of external energy supplies to the EU area" (Aalto and Westphal 2008:7). As such, the European Commission defines energy supply security as "the ability to ensure that future essential energy needs can be met…by calling upon accessible and stable external sources" (Eurogulf cited in Fermann 2009:23). According to estimates, the EUs natural gas dependence on external sources will rise above 80 % against 50 % today by 2030. Even though these estimates vary, European consumption is growing, and the transition to a low- carbon economy is slowly underway. Hence, the situation has gradually forged the decision- makers to realise the implications of the energy security issue. The most important implication for this thesis is that the EU has to develop and maintain energy relations with external producers in order to secure the continued supply of natural gas to Europe.

According to a study by the International Energy Agency (IEA) of EU energy policy from 2008, some major events since 2005 have made security of supply a chief concern in European energy policy. These include the rapid rise of fossil fuel prices since 2004 and the interruption of gas supplies from Russia in the beginning of 2006, which resulted in gas shortages in a number of member states; a large electricity blackout in 2006 affecting large parts of north- western Europe, as well as the continuing threat that disputes between suppliers and transit countries such as Russia and Ukraine will affect supplies of oil and gas into the EU. The development of the internal market and the commitment to a transition to a low- carbon energy system are also cited as important driving forces (IEA 2008:78). The

Union has in its recent energy strategy explicitly stated that security of supply is one of the three pillars constituting the Union´s energy policy, sustainability and the internal market being the other two;

> "A common EU energy policy has evolved around the common objective to ensure the uninterrupted physical availability of energy products and services on the market, at a price which is affordable for all consumers (private and industrial), while contributing to the EU's wider social and climate goals. The central goals for energy policy (security of supply, competitiveness, and sustainability) are now laid down in the Lisbon Treaty" (European Commission 2010b:2).

These developments point to a growing tendency within the European Union to coordinate energy policies and to place a greater emphasis on the foreign policy dimension of energy policy. In fact, some have pointed out that external energy relations are becoming the newest form of EU foreign policy (Hadfield 2008:333). This is reflected in the energy policy papers of the EU in the last decade; relationships with states or regions outside of the Union´s border have been put to the forefront in relation to energy security.

1.1 Analytical framework

1.1.1 Focus and research question

It is within the abovementioned realm that an analysis of the external energy security policy of the EU, more specifically as the EUs actions and strategies towards producers of natural gas becomes relevant. The producers are first and foremost traditional suppliers such as Russia, Norway and the Mediterranean region, but also potentially new strategic suppliers such as the Caspian and the Gulf region with which the EU has an energy relation. How has the EU developed and maintained its energy relations with these external producers? This analysis is motivated by the chance to discover the "typical" EU approach or pattern of action concerning an important pillar for its energy policy; security of supply. Moreover, a central motivation is to figure out if the EU pays attention to the producer it relates to and if there is any variation related to the way it approaches the different producers. The producers considered in the analysis are naturally different on several dimensions, and thus underline the importance of flexibility: they demand different strategic responses from the EU (Claes 2009:49-51). As such, an analysis of variation in the external energy security policy may reveal whether or not the EU displays this flexibility. The focus of the analysis is therefore firstly, what has the EU done in order to enhance its security of supply? Is there any variation

in the EU´s strategy? This will be answered through an empirical analysis of the relationship with Russia, Norway, the Caspian, Gulf and Mediterranean Region. Secondly, can an eventual variation in the EU´s strategy towards the producers be explained by certain characteristics of the producers? A comparative analysis will be conducted in order to detect eventual variation and an explanation of this. The premise is as mentioned that the EU is dependent upon external suppliers for its energy security, and the EU therefore has to manage and develop relations with important producers of natural gas. Thus, the following bifurcated research question is posed:

How does the EU´s external energy security policy vary across different energy producers? What can explain this eventual variation?

This research question requires a qualitative within- case analysis of the EUs external energy security policy, consisting of a cross- case comparison of the EU´s most important relations with suppliers. Thus the unit of analysis is the EU, but the main bulk of the analysis is confined to the empirical analysis of cases that illustrate the EUs strategies. In turn, this will lay the basis for a comparative analysis discussing a) the eventual differences in the EU´s strategy and b) possible explanations for this variation; ultimately the EU´s external energy security policy. Referring to Andersen´s typology of case studies, the study can be classified as theoretical interpretive, because it utilises a theoretical perspective to analyse and sort out the empirical material (1997:69). The basic research model of explanation and thus for answering the research question is as follows; firstly it is expected that the level of intensity with which the EU pursues different strategies[1] can say something about whether or not there is any variation in the external energy security policy of the EU. The strategies are based on the theoretical debate in IR about what best can enhance energy security as well as instruments a gas consumer has at its disposal. They are called institutionalisation, market and political strategies and will be elaborated in the theory chapter. The level of intensity is determined according to the weight the EU puts on one or the other strategy i.e. if it makes use of one strategy more than the others. Secondly, it is assumed that certain characteristics of the producers can explain this variation; the EU´s external energy security policy varies according to a specific pattern that is determined by the characteristics of the producers.

[1] A strategy is understood as being a comprehensive or broad plan for certain actions or behaviour, in this case a conscious plan aiming at enhancing energy security (Hovi 2004:263).

Presented graphically, the explanatory model looks like this:

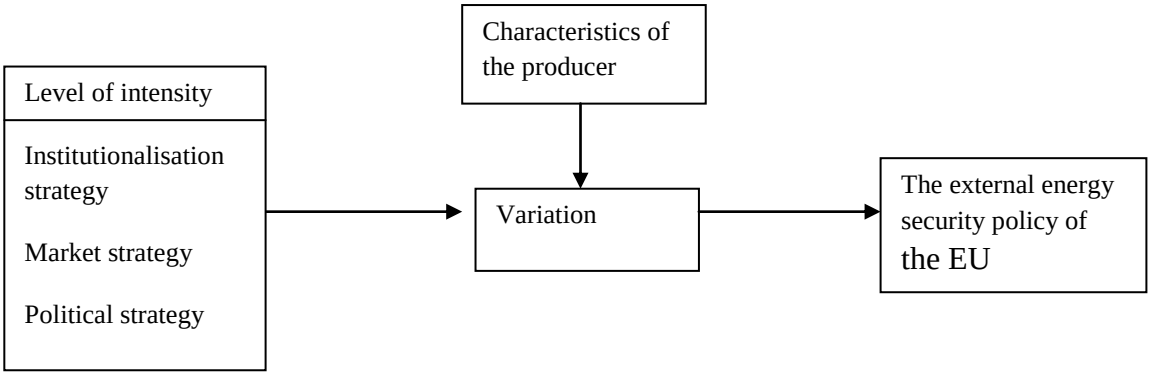

Figure 1 Explanatory model

What is to be explained is the external energy security policy of the EU. Given the natural gas situation for the EU referred to in the introduction, in which it has no indigenous supply, the external relations is what *constitutes* the external energy security policy of the EU, simply because security of supply implies managing relations with the producers. In order to explain the external energy security policy of the EU as many of the relationships with energy producers are important to analyse, following from the diversification logic of Churchill.

1.1.2 Theoretical grounding

To address the research question, this thesis draws upon insights from the Foreign Policy Analysis (FPA) literature, as well as the theoretical debate in the International Relations (IR) literature between realists, institutional and economic liberalists. Overall, energy is not often referred to in the FPA literature, neither is the concept of energy security in the IR debate for that matter. However, the arguments from the literature and debate lend themselves well to an analysis of the external energy security policy of the EU. The IR debate provides the basis for the abovementioned strategies that are made up of different instruments a gas consumer can make use of vis- á- vis producers in order to enhance its energy security. The FPA literature provides insights concerning foreign policy actions, objectives, motives and capabilities, as well as the reasons for relating oneself to the context, here intended as the producers in question. I do not seek to explain the decision- making process within the EU that led up to the specific policies and strategies, rather the implementation of energy security instruments "on the ground". As mentioned, a basic assumption concerning the eventual variation is that certain characteristics of the producers influence the strategy that the EU has pursued. Given the variation of producers in terms of their economical, political and cultural differences, it

seems logical to relate to them differently (Claes 2010:19). I assume that provided the variation of suppliers in terms of what type of regime they are, the degree of interdependence with the EU, the level of resource richness they hold and the conflict level they display, it should be reasonable for the EU to adapt its instruments and strategy accordingly. The reasoning behind this expectation is further elaborated in the following chapter.

1.1.3 Methodology

Keohane et al. (1994:15) identify two criteria that a social science research project should satisfy in order to be relevant and valuable; firstly it should "pose a question that is "important" in the real world", and secondly, "make a specific contribution to an identifiable scholarly literature by increasing our collective ability to construct verified scientific explanations of the world". Considerations concerning the importance of energy security were elaborated in the introduction of this thesis; the crucial role of energy in any society, the EU´s import dependency leading to a prominent place of energy on the policy agenda, as well as the recent development of a more coherent energy policy in the Union. These aspects establish the relevance of the study. Moreover it may contribute directly to the literature on energy security and the European Union; to the best of my knowledge any systematic comparative analysis of the energy relations of the EU does not exist. There are studies concerning the energy relations, but many do not take into account all of them, or are simply exploratory in nature or focus on certain aspects such as the associations with other foreign policy goals or the legal dimensions. Many contributions also focus on the dilemmas facing the EU, especially regarding the ability to speak with one voice. This analysis is much more grounded in the energy security debate, it takes into account certain characteristics of the producers in question and it aims to observe and explain the pattern of action of the EU´s external energy security policy.

In order to make the analysis readily understood and to manage the amount of data that this requires, I need a method that is clear and structured. I have therefore chosen to follow the method of structured focused comparison as presented by George and Bennett (2005), which underline that

> "The method is "structured", in that the researcher writes general questions that reflect the research objective and that these questions are asked of each case under study to guide and standardise data collection, thereby making systematic comparison and cumulation of the findings of the cases possible. The method is "focused" in that it deals only with certain aspects of the historical cases examined" (2005:67).

In this thesis, the general questions are made up referring to the analytical framework presented, and will guide the empirical analysis:

- *What is the score of the producer on the indicators related to characteristics?*
- *What type of instrument is being utilised?*
- *With what level of intensity has the EU made use of the instrument?*
- *What strategy does this reflect?*

The focus of the analysis is aspects concerning energy supply security in each relationship. Many other aspects could have been considered in an analysis of these relationships, since they encompass more political relations than just energy, but the advantage of the method is namely to focus the collection of empirical data on one part that reflects the research objective and research question. Moreover, the study utilises a form of pattern matching; it analyses empirical implications from the theoretical model in the energy relations to determine whether these correspond to the theoretically expected pattern. This method is essential in a case study that has explanatory purposes, and will be applied in the comparative chapter (Bratberg 2009). Furthermore, this method corresponds to a theoretically interpretive case study; the theoretical implications utilised for this purpose is a certain way of applying a theoretical perspective to analyse and sort out a case.

According to George and Bennett (2005:69) the research objective should guide the selection of several cases within a specified subclass. In this analysis energy relationships with major producers constitute the cases relevant for EU´s external energy security policy. Apart from some relations with Latin America and Africa, the chosen relations of study represent close to all important energy relations currently constituting the EU´s external energy policy. As such, they all represent valuable indications of the strategies the EU has preferred when handling its relations with important suppliers of natural gas. The cases chosen do not include countries that are considered as mere transit countries such as the Ukraine, which is often mentioned in relation to energy security and the EU. This is mainly because of time and scope restraints, but also because the analytical framework demands a focus primarily on suppliers. Nevertheless, some of the regions are constituted by countries that are mere transit countries, and others that are only suppliers, so the divide is not that clear, as will become evident in the empirical analysis. A possible objection to this comparative design would be the nature of the producers in question; some are individual countries, while others are regions, which may have consequences for the basis of

comparison. However, the focus of the analysis is the energy relations and the EU´s policies. These are directed both regionally and bilaterally in the name of energy security, and the EU has also stated these producers with the denotation used in this analysis in its energy policy papers.[2] As such, the basis of comparison is secured.

1.1.4 Questions of validity and reliability

In order to secure construct validity (Yin 2009:40), I have relied on influential sources in order to operationalise central concepts such as energy security and foreign policy instruments and I have stated the operational definition and concrete indicators when appropriate. In addition, I have utilised different data sources both in the development of the research design and in the analysis; this contributes to secure that the empirical observations reflect the ideas contained in the concepts they are supposed to measure (ibid., Holdhus 2010:13). However, I have had some challenges concerning the collection of statistical data and the correspondence between data available and the instruments they are supposed to measure. This has implications for the measurement validity. The challenges are connected to the time period as well as geographical coverage[3] of the data. Yet, these issues are noted when appropriate, and the relevant data is included in the annex, which increases the transparency of the study. Even so, I cannot rule out the fact that these indicators may sometimes be skewed.

The level of intensity is determined according to the number of instruments that has been utilised towards the producer country or region and the content of the instruments is also considered; that is whether or not they are encompassing and characterised by a lot of effort or activity. On a general level, the level of intensity is determined according to how many times the producers have been mentioned in the press releases concerning energy the last 6-7 years in the Rapid database[4]. In sum, the level of intensity does not have one established standard for measurement, but the standard and the assessments made are always pointed out when relevant. It is possible to imagine that this level of intensity says something about the perceived strategic importance of the supplier for the EU, and consequently that this is crucial for how much attention the EU is devoting to the different producers. The intensity is also

[2]See for example European Commission 2006a and 2008a. Another important clarification is that "what the EU classifies as the Mediterranean region also include many countries normally understood as located in the Middle East" (Keukeleire and MacNaughtan 2008: 274).

[3] Examples include the level of export to the EU, which does not cover all of the countries considered in the analysis and numbers concerning the FDI outflows from the EU to the producers considered here.

[4] The Rapid database is a database for press releases, memos and speeches of the European Union. A table is included in the comparative analysis denoting this measure

coupled with the different strategies; with what intensity has the EU sought after for example the market strategy and where? An important distinction needs to be made between the employment of instruments and the actual success of this employment. As will become evident in the empirical analysis, the EU has sought to use different instruments with several of the producers, which have met resistance and rejection on the part of the producers. As such, since the focus is on the EU´s policies, the extent to which the use of instruments has been successful will only be mentioned where appropriate, but will have no consequence for the mapping of the pattern of action. The instruments will therefore be included whether they have been successful or not[5].

Scholars relate internal validity to the establishment of a causal relationship, i.e. that certain conditions are believed to lead to other conditions, ruling out a spurious relationship (Yin 2009:40, Lund 2002:29-30). Internal validity is mainly a concern for explanatory case studies, which tries to explain why an event led to another event (Yin 2009:42). This thesis has an explanatory goal; it seeks to identify and explore some of the causal mechanisms leading to variation in the external energy security policy of the EU. The analysis is not an in-depth study of each relation, and the basis for saying something about the causal mechanisms in each of them is consequently not very good. However, it is an in- depth study of the external energy security policy of the EU *through* the comparative analysis of its energy relations, it is therefore possible to identify certain causal mechanisms or a causal pattern in relation to the strategy the EU chooses in its external energy security policy. Moreover, the advantage of a case study is that it allows the researcher to identify other causal mechanisms or explanatory factors than those expected, simply because it requires that the researcher acquires in- depth knowledge on several dimensions of the case. Therefore, it will be possible to identify other explanatory factors than the chosen characteristics of the producers if this is relevant, contributing to the internal validity of the study. Yet, it is not possible to completely rule out other explanatory factors; as such the analysis will not be able to establish a causal relationship similar to statistical studies i.e. causal effects.

Case studies are generally not viewed as appropriate for enhancing the external validity of studies, i.e. the possibility to generalise. However, generalisations pertaining to case studies have been called analytic or contingent generalisations (Yin 2009:43, George and

[5] This call for a modification: I do not have a complete overview of absolutely all of the instruments the EU has pursued, successfully or not. The instruments included here are those detected in official policy through the collection of data. Basically it is official policy the EU has tried to conduct, but that not necessarily has been accepted by the producers.

Bennett 2005:112). It entails generalising from unique cases "by treating them as members of a class or type of phenomenon" (George and Bennett 2005:112-113). Crucial for this task is defining the domain or universe the case belongs to (ibid.119). It is obvious that this study has no way of generalising the findings to for example other consumers´ external energy security policy, such as the US or China. The study of the energy relations of the EU is as mentioned ultimately a case of the EUs external energy security policy. Moreover, the findings can say something about the preferred strategy of the EU towards different producers when enhancing its supply security. The analysis will also provide indications as to how the EU as an international energy actor can be characterised.

In order to secure the reliability of the study, I am confident that by making use of the method of structured focused comparison, as well as paying due attention to references all the way, I am securing transparency and a level of standardisation that is quite good for a qualitative analysis. Moreover, I have included relevant data in the appendix and mentioned the different standards of measurement underway; this enhances the possibility of replicability.

The data utilised in this analysis are documentary; that is official documents such as progress reports, policy papers, agreements, speeches, press releases and statements retrieved mainly from the EUs own database and resources. The analysis will also be based on statistical material most notably as indicators on several of the instruments referred to in the theory chapter, as well as general analyses of the relationships made by scholars and news sources. By utilising secondary sources for the empirical analysis it provides me with the opportunity to shed light on existing material in a new way, and combine material for the purpose of the study.

In case studies, documents are often used as support or verification of other sources, such as interviews. In this thesis, the analysis is based solely on the documents referred to above. On the one hand, by using multiple documentary sources, I can secure triangulation of data, and cross- check information from different written sources. On the other hand, I will not achieve a high level of methodological triangulation, because I have not conducted interviews. An important point to mention is that since the analysis is based solely on documentary sources, the collection of data has been restrained to the documentary material that has been made official and available for the public. Therefore, there might have been actions or behaviour that this analysis has not been able to discover, and which might have been discovered through interviews with EU officials. Additionally, since the empirical

analysis is very encompassing I cannot rule out that I will not be able to get a hold of all the relevant information. However, since the analysis consists of mapping out the EUs action pattern comparing its relations with five different producers, the collection of data through interviews was deemed too complicated with regards to the amount of people needed to be spoken to. It proved too difficult to get a hold of experts pertaining to all the five areas of policy within the EU, especially when, at the time of writing, the EU is launching the new External Action Service (EEAS), with all the institutional coordination and rearrangements this entails. For the sake of data validity, interviews could have strengthened the analysis, but since the focus is on observed actions and not the decision- making process, the use of document analysis of the mentioned sources is merited.

1.1.5 That which is to be explained: The EU´s external energy security policy

With the research design established the dependent variable must be discussed in order to give the reader a well informed context, but also for the sake of analytical rigour in the comparative chapter. Firstly, a useful definition of European foreign policy activity suggests that it "refers to the universe of concrete civilian actions, policies, positions, relations, commitments, and choices of the EC (and EU) in international politics" (Ginsberg cited in White 2004:15).

Secondly, a study of energy policy through a FPA lens forges the question; who is the EU as an international/ foreign policy actor? The debate concerning this aspect is essential in the studies of EU foreign policy, and the description of the EU ranges from civilian power, to quiet superpower and post- modern state (Whitman, Moravcsik and Cooper cited in Orbie 2008:2). Moreover, is the EU an international organisation with supranational characteristics or is it an international regime? This discussion is too encompassing for the present analysis; what is certain is that even though it is not a conventional state it can act as one in limited ways and it has the capacity to finance its own policy decisions. The amount of resources at its disposal separates it from other regional organisations (Smith 2005:157). The common description of the EU as a civilian power implies that it is not associated with policies of "hard power" i.e. military and security policies. Moreover, it appears like the EU is a different entity with respect to different issues and as will be elaborated below, in the energy realm the EU is "working with but alongside its member states" (White 2001:21-23). It is important to clarify, having these considerations in mind, how the EU as an international actor will be

treated in the analysis. The EU will be treated both as the institutions at Community level and as a sum of its member states, the latter most prominently in the collection of data for several of the indicators of the analytical framework. Moreover, some of the empirical chapters will give examples of member state policies towards the producer, when these have been prominent and well- known. The analysis will not be able to cover all of the member states policies in all the relations; as such the focus will be on what the EU as a supranational body has done. The distinctions between these three "interpretations" of the EU as an international energy actor will be duly noted and clarified where appropriate. An overview of the relevant actors and decision- making procedures of energy policy is included in the appendix.

Thirdly, in FPA literature *the sources of foreign policy* is an important and recurrent theme, and since this thesis seeks to explore what the Union actually *does* in international relations, it can be useful to discuss sources of influence for developing an external energy security policy, and for the implementation of such a policy.

Basically, one can separate between the external influences and the internal or domestic sources and constraints of foreign policy[6] (Hill 2003). Important external influences for the external energy security policy of the EU are the globalisation trend implying more economic liberalisation, increased cross- border trade and capital flows, affecting the international gas market to some extent. At the same time there are tendencies pointing towards renationalisation of energy sources which can be observed in important energy producers such as Russia, where the aim is to bring back stronger national control over energy resources (Claes 2010:12-13, Belyi 2008:209). Additionally several supply crises has put the reliability of the producers to the forefront. The interdependent nature of the relationship between a gas consumer and producer also has implications for the external energy security policy of the EU. Some have argued that this interdependency is asymmetrical; given the relative importance of the commodity for the consumer, the EU is more dependent on gas than the producer is on the European market (Claes and Harsem 2010:5). In this analysis it is assumed that certain characteristics of the producers also are external factors influencing the EU´s external energy security policy.

An important internal source of the development of an external energy security policy is as mentioned the EU´s current situation of import dependence in view of natural gas. As such it does not enjoy any control over considerable energy resources, and it has to look for

[6] These often include national pressure groups or general domestic policy. Illustrative examples are Allison´s (1969) study of the Cuban missile crisis and Putnam´s (1988) logic of the two- level game. External influences can be shocks or incidents, as well as general trends in international relations.

them externally. This situation is illustrated with the following figures; the consumption of gas is high and the import dependency is on the rise:

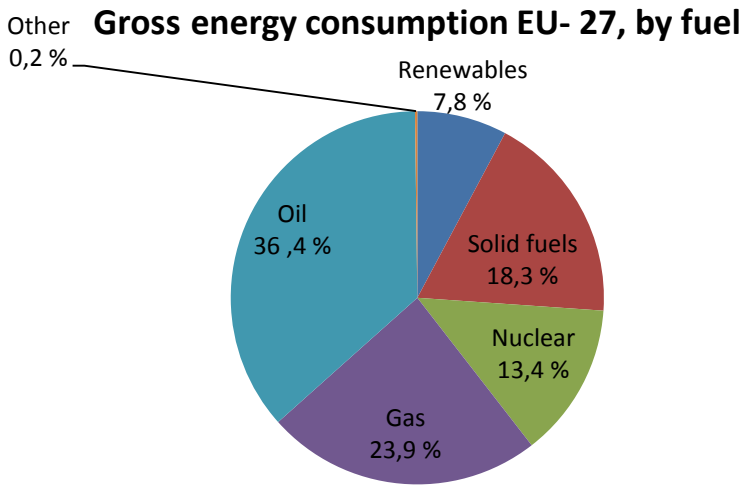

Figure 2 Gross energy consumption EU-27 in 2007

Source: EU energy statistical pocketbook 2010

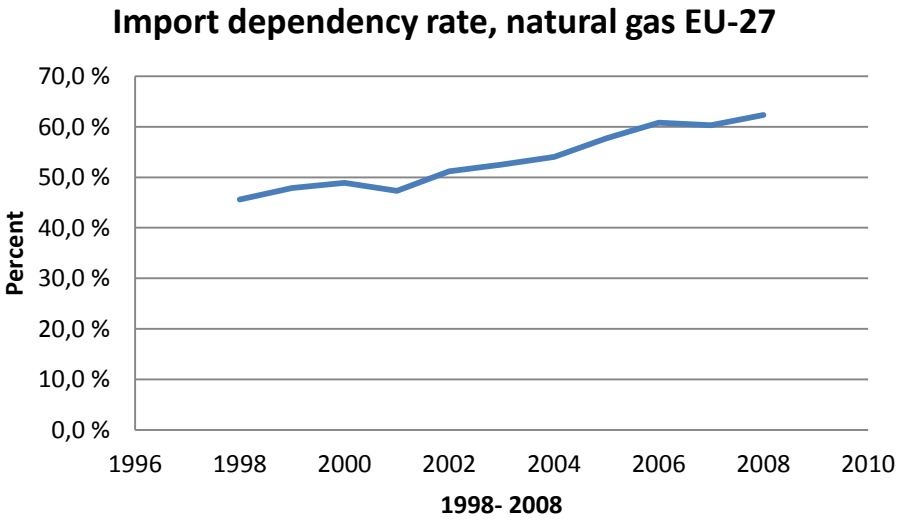

Figure 3 Energy dependency rate, EU-27, %[7]

Source: Eurostat (2010)

With the exceptions of the Netherlands and Denmark, which are net exporters of natural gas, and Romania and UK which have an import dependence around 20- 30 %, all of the other

[7] of net imports in gross inland consumption and bunkers, based on tonnes of oil equivalent

member states are depending on import for between 80- 100 % of their total natural gas consumption in 2007 (EU energy statistical pocketbook 2010). Regarding the gas imports by sources of origin, it is very clear that Russia, Norway and Algeria are currently the most important suppliers of natural gas to the EU:

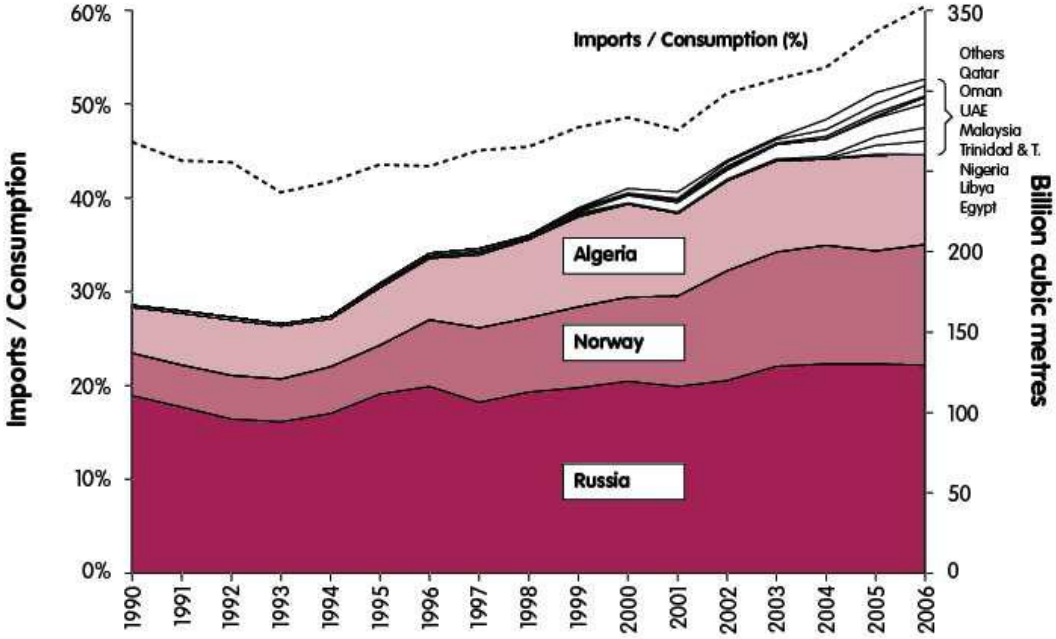

Figure 4 EU-27 Gas imports from 1990 to 2006

Source: Claes and Harsem 2010:11.

Other essential internal driving forces for this development have been the evolution of the internal market for energy through numerous gas and electricity directives (Matláry 1997:12-13, Claes 2009:43), as well as Green Papers and energy policy strategies at Community level (European Commission 2006b, 2007a, 2008a). Additionally the EU has put energy into the larger picture of security; the European Security Strategy from 2003 identifies energy dependence as a global challenge with implications for EU security;

> "Energy dependence is a special concern for Europe. Europe is the world's largest importer of oil and gas. Imports account for about 50% of energy consumption today. This will rise to 70% in 2030. Most energy imports come from the Gulf, Russia and North Africa" (European Council 2003:3).

The strategy paper does not mention energy security more explicitly, but the inclusion of energy in such an important paper considering strategic objectives and security threats for Europe, illustrates that energy has been held up high on the security agenda since the

beginning of the decade. The treaty of Lisbon, which entered into force in December 2009 states that Union policy shall aim, in spirit of solidarity between member states to:

> "(a) ensure the functioning of the energy market; (b) ensure security of energy supply in the Union; (c) promote energy efficiency and energy saving and the development of new and renewable forms of energy; and (d) promote the interconnection of energy networks". "The European Parliament and the Council, acting in accordance with the ordinary legislative procedure, shall establish the measures necessary to achieve these objectives" (EU 2011:Article 194).

However, the treaty also explicitly states that "such measures shall not affect a Member State's right to determine the conditions for exploiting its energy resources, its choice between different energy sources and the general structure of its energy supply" (ibid.). This points to an essential internal constraint; the lack of competence in the energy policy realm the EU enjoys vis -á- vis the member states. Even though energy was the main cause of integration in the first place[8], it is a policy area that has not been subjected to the same supranational arrangements as other areas such as trade or monetary policies (Belyi 2008:203). As a consequence, national foreign energy policies co- exist with EU foreign energy policy, and more specifically external energy security policy: the role of national governments have remained strong, for the simple reason that energy security is tightly knit to the national security of a country (Matláry 1997:8-9). As such, the member states still reserve the right to act unilaterally in foreign energy policy (Smith 2005:155).

At the same time the member states vary considerably in energy structure and degree of dependence on gas, this has implications for the level of coherence in the EU´s external energy security policy as well as the type of instruments that are pursued at the EU level.

Another central concept in FPA is the capabilities of an actor which are essential for the implementation of foreign policy; hence the ability to make use of foreign policy instruments. In this regard, it is vital to recall the reflections concerning the EU as an international actor; it is not a state and consequently it does not enjoy the military power similar to that of a state. The capabilities are "reflecting and to some extent defining its limited actor status" (White 2001:43). Keukeleire (2003:46-47) views what he calls 'structural diplomacy' as essential for a description of the EU as an international actor, and this has consequences for the instruments it deploys. This term entails the notion of a foreign policy actor capable of shaping and determining the structures, rules and institutions within which the other states operate; influencing the other states to the extent that they internalise the

[8] "The first two European Communities covered coal and nuclear energy policies" (Belyi 2008:203).

norms and values of the EU. As such, the EU distinguishes itself in non- military policies such as development, environmental and trade policies, and prefers political dialogue and market access (Orbie 2008:12-13). The economic, financial and diplomatic instruments are strong features of the capacity to employ the EU´s external energy security policy. Yet, at the same time, the ESDP[9] has evolved quite rapidly in the last decade, which focus on humanitarian and rescue missions, peacekeeping and crisis management (Smith 2005:169). Therefore, the EU is not completely without military capabilities. These instruments are reflected in the strategies presented in the next chapter.

Together, these external influences, internal sources and constraints on an external energy security policy give rise to different motives and objectives for acting towards external energy producers;

> "Given these global developments, the EU needs to take action to secure its energy future and to protect its essential energy interests. The EU needs to intensify its efforts in developing an effective external energy policy; speaking with one voice, identifying infrastructure of major importance to its energy security and then ensuring its construction, and acting coherently to deepen its partnerships with key energy suppliers, transit countries and consumers" (European Commission 2008a:3).

Furthermore, they provide the basis for some expectations as to how the EU is going to act towards energy producers. A seminal study on energy supply security and geopolitics conducted by the Clingendael International Energy Program (CIEP 2004) put forward that the EU and its supply security situation face two different scenarios or storylines based on the current situation, which will continue to evolve with the future development of the international political and economic system. These are the Market and Institutions and Regions and Empires storylines. The former is characterised by continued globalisation of markets and cooperation in international institutions, and hence an evolution of the multilateral governance system in international relations. The latter is characterised by a world that is broken up into different political and economic blocks "with satellite regions that compete for markets and resources with other blocks" (CIEP cited in Claes 2009:42). The implications of these storylines and the discussion of the EU´s competences and capabilities are that it can be expected that the EU will pursue the strategies that include the instruments at its disposal; most notably the market and institutionalisation strategies, with the most intensity, and that its external energy security policy is thus well situated within the Markets and Institutions storyline.

[9] European Security and Defence Policy (pre- Lisbon treaty), now the Common Foreign and Security Policy

1.2 Structure of the thesis

The next chapter provides an outline of the theoretical grounding that informs the analytical tools guiding the analyses. This is followed by an empirical analysis of the EU´s energy relations focusing on the deployment of the different strategies; institutionalisation, market and political. Subsequently, a comparative analysis is conducted in order to provide a fruitful discussion and understanding of the EU´s external energy security policy. More specifically it will seek to identify how the EU approaches the producers, whether or not there is any variation and possible explanations of this. Finally, concluding remarks are given concerning the analyses´ findings and the implications of these for an explanation of the EU´s external energy security policy, in addition to methodological considerations around how the study has been conducted.

2 Theoretical grounding

This chapter will outline the theoretical framework utilised to frame and guide the analysis, derived from the concept of energy security, foreign policy analysis and the theoretical approaches available for studying energy security strategies. First, the concept of energy security is operationalised followed by a short review of the ongoing theoretical debate in the IR literature concerning which strategies or instruments that can enhance a consumer´s energy security in the best possible way. This debate will provide the background from which I derive three different strategies to energy security, namely the institutionalisation, market and political strategy. These are made up of the various instruments a gas consumer has at its disposal when managing its external energy security policy. After I have presented this framework, I will detail the chosen characteristics of the producers and the reasoning that justifies the inclusion of these. Empirical expectations concerning the EU´s strategy in its external energy relations are also included; these are used as a basis for comparing the EU´s strategy towards important producers of natural gas.

2.1 Energy security

The basic definitions of energy security underline the importance of diversification, managing geopolitical relations, and price/trade- policy for security of supply; they represent a common understanding of the external dimension of energy security. Since this thesis focuses on this external dimension, I have not included strategies concerning for example energy efficiency and internal emergency stocks, which is often cited in relation to energy security. Jonathan Elkind (2010) provides a useful basis for my operationalisation of the concept. He divides energy security into *availability, reliability and affordability.*

Availability entails both physical availability of the gas resources, i.e. the physical security, and the ability to agree on the terms of trade, capital investment in exploring and transport, and of course technology (2010:122). All this implies securing the capability of employing or making use of gas resources.

Reliability involves protecting the gas resources from interruption, securing the confidence between the exporter and importer, and enhancing political stability through for example legal and politically feasible frameworks. Transparent information becomes an important tool, and Elkind (2010:124) also underlines the importance of diversification for the

reliability of energy. Reliable energy supplies therefore include both reliability *of exporters*, as well as reliability *of energy*, through diversification and risk management.

The last component is *affordability* which sheds light on the importance of the price of the gas resources for energy security. Elkind (2010:122-126) emphasises low price volatility, transparent pricing and realistic expectations for future price; "getting prices right". This implies getting energy prices that convey the full cost of energy consumption, in order to stimulate appropriate consumer responses. This economic element of energy security is getting more important as the energy market becomes more globalised, and energy interdependence requires collaboration between consumers and producers (Yergin 2006:78).

2.2 Theorising energy security

In order to situate energy security in a wider theoretical debate, other studies considering energy security strategies (Holden 2008, Kelly and Leland 2007) have paid significant attention to the traditional "grand theories" in international relations; realism, economic and institutional liberalism. I do not see the relevance in outlining the historical development of the theories themselves for the purpose of this analysis, but in the following I will present different implications of this debate for policy instruments available for ensuring the EU´s energy security. It is worth noting that these theories are not concerned with energy security first and foremost, but their general arguments lend themselves well to a discussion of different policy tools for energy security, for example of the role of the market, the type of suitable institutional arrangements and so on. In sum, these instruments can be used in order to enhance the EU´s availability, reliability and affordability of gas supply.

2.2.1 Realism

Basic realist assumptions are a pessimistic view of human nature, that international relations are necessarily conflictive given the anarchical nature of the international system, that national security and state survival should be duly valued and a basic scepticism towards the notion of progress in international politics (Jackson and Sørensen 2007:60). These assumptions can to a large degree be observed in the realists´ understanding of energy security and the instruments appropriate for the purpose of securing supplies. Enhancing ones energy security is perceived as a struggle to control the sources of a strategic energy resource and in this, political means becomes important (Constantin 2005:3-5). Power is the guarantor of energy security (Kelly and Leland 2007:27), and therefore, the physical control of energy

resources is vital. Realists also share a concern for relative gains, which can be relevant for the EUs energy security in the sense that "a rival´s increase in supply will necessarily lead to a decrease in one´s own supply". (Kelly and Leland 2007:30). For example, provided that the EU competes with other actors for access to a certain transportation route or production site, a realist would argue that the EU looses out to its competitors should the competitors succeed in securing the supplies for themselves. This is in contrast to the absolute gains emphasised by liberals, which can be placed under both the institutionalisation and market strategies, and thus elaborated below. Realists are sceptical towards the market; the risk of market failure can have significant consequences for energy security, because it can lead to short term interruptions of supply. Moreover, because energy security is a strategic commodity it cannot be secured through the market mechanism alone. The realists downplay the price aspect of energy security and they do not believe that the energy market is a free market. As such they are more concerned with securing physical availability and actual supply and do not trust the market to provide for this (Holden 2008:12,34).

2.2.2 Institutional liberalism

Generally, liberalism has a more positive view of human nature and the nature of international relations. Liberalists also believe firmly in progress and cooperation based on mutual interests. Liberalism has evolved into different strands of thought, and here two of them are included (Jackson and Sørensen 2007:98-100). Institutional liberalists accept many of the realist's basic assumptions about the international system; the international system consists of sovereign states and a central enforcement mechanism does not exist (Keohane 1989:10). Yet, the perspective seeks to explain why states cooperate despite of this anarchical structure, and in this view, international institutions, be they organisations or regimes, can foster cooperation between states (Mingst 2004:63). This is done through creating a flow of information and a forum for negotiation. In this way they alleviate the lack of trust between states that is a traditional problem associated with the international anarchy (Jackson and Sørensen 2007:108-110). Thus, strategies that seek to institutionalise multilateral cooperation become relevant for increasing the reliability aspect of energy security. At the same time institutions provide a framework for interaction, because they suppose future interaction (Mingst 2004:64). Institutional as well as economic liberalists pay attention to absolute (economic) gains and political stability. They do not believe that the competition of securing supplies is a zero- sum game. Instead they see the increased potential of existing gas

resources, as well as the discovery and improvement of technology as a possibility for absolute gains. In order to increase the capacity of producers they highlight institutionalised cooperation (Kelly and Leland 2007:30). Basically the institutional liberalists emphasise that states which share the same sets of preferences can obtain energy security through institutionalised cooperation, be they conventions, international regimes or organisations (Holden 2008:36). The instruments for supply security thus entail creating a political and institutional framework to facilitate cooperation, most notably with producer and transit countries. Considering the type of institutionalisation, institutional liberalists will underline the importance of multilateral frameworks. The more states that are part of the institutionalised cooperation, the more likely are the prospects of success because the complex network of trade and interaction will create incentives to cooperate and remain in the regime. It can also foster issue- linkage which would reduce uncertainty (Kelly and Leland 2007:29). Realists are more prone to favour bilateral cooperation or relations, because it gives the importer a greater degree of certainty and some minimum of control (ibid.).

2.2.3 Economic liberalism

Economic liberalism´s view on energy security includes an emphasis on the market-mechanism, i.e. that energy security best can be enhanced or protected by the market. It thus underscores the commercial aspect of energy security. Moreover, in order for an energy consumer to take advantage of the possibilities of the market, market creation is essential, that is the establishment of trade and other economic relations with the producers. As referred to in the introductory chapter, the international trade of natural gas is dependent upon pipelines in the majority of cases. Creation of infrastructure thus becomes an important instrument for market creation purposes. Additionally, liberalisation, which includes reducing barriers to trade and investment, is a preferred instrument for this purpose; free trade encourages energy security (Constantin 2005:3-5). The competition in the market will also ensure correct and as low prices as possible, thus securing the welfare of the consumers (Mingst 2004:238). This aspect is therefore connected to the affordability of energy security. Gas is perceived more as any market commodity rather than a strategic resource (Kelly and Leland 2007:13). The EU´s economic policy instruments will be important for these purposes. Liberalisation for the EU implies improvement and enablement of "investment and trading conditions to upstream and downstream markets, as well as possible access to pipelines" (European Commission 2007a:24). Generally liberalisation entails decreasing trade and investment barriers, and

promoting the efficient functioning of international energy markets through "policies that promote competition, free trade and investment in the energy sector" (Bielecki 2002:246). For this purpose, one possibility is to make use of international trade and investment agreements and establish legally binding instruments. Moreover, creation of a regional energy market can be achieved through for example giving the energy producing states a stake in the European economy, and encourage integration and downstream investment facilities that give supplier incentives (Noreng 2009:227). In other words, one possibility can be to "increase the reach of the liberal free trade area, to include energy exporting countries" (Claes 2010:20).

2.2.4 Energy security strategies

Based on this theoretical debate on energy security, as well as inspiration from Aalto and Westphal`s (2008:5) approaches to energy policy, Andrews- Speed et al´s (2002:16-17) strategic implications of energy dependence and Holden´s (2008:37) typology of energy security measures, I have developed a typology of energy security strategies. Basically, the strategies include the different instruments a gas consumer can make use of towards a gas producer when he wants to enhance his energy security, and they can be related to the different arguments presented in the theoretical debate above. The energy security strategies are named institutionalisation, market and political. The first one is characterised by different forms of institutionalisation; following from the arguments of institutional liberalists this can best enhance the EU´s energy security. The market strategy encompasses several of the measures forwarded by the economic liberalists such as free trade, basically aiming at market creation. Finally, the realists´ assumptions concerning the international system lead them to place emphasis on political measures reflecting traditional foreign policy for the sake of enhancing energy security; these are included in the political strategy. It is important to note that the strategies are not mutually exclusive, since the EU not necessarily makes use of one or the other. The analysis will focus on how the policies of the EU fit into the spectrum of strategies (Constantin cited in Holden 2008:20). Therefore the EU will probably make use of all of the strategies, albeit some more than the others, and an important factor for detecting eventual variation in the external energy security policy of the EU becomes the level of intensity with which the EU pursues the different instruments; to what extent does the EU use more or less of a particular strategy towards one producer, compared to other producers or other strategies? The more instruments that can be attached to a strategy, the more this strategy can be said to dominate in the relations. These considerations are thus connected to

the first part of the research question: whether or not there is any variation in the external energy security policy of the EU at all. The following expectations can be stated for this purpose:

The EU utilises the different strategies towards all the producers with the same level of intensity, or conversely, the EU utilises the different strategies towards the producers with varying levels of intensity.

The first expectation implies that the EU puts the same weight or importance on a strategy regardless of which producer it approaches i.e. no variation in terms of intensity, whereas the latter implies that the EU do make use of a strategy more towards some producers than others i.e. variation in terms of intensity. For example, the latter expectation would be confirmed if the EU uses a political strategy more towards one producer compared to the others. The following table presents the three strategies schematically. Some of the instruments deserve special mention; the market instruments all have in common that they are commercial measures which seek to facilitate trade in natural gas between the EU and a producer. As such, they are vital for the actual delivery of natural gas to the EU. However, the creation of infrastructure need not be a strictly commercial activity that only engages European companies. Political and financial support for projects are considered as a political intervention from the EU in order to enhance availability of energy, and is thus included among the political strategic instruments which are divided between those that are relatively cooperative in nature and those that are more conflictive. Among the cooperative are instruments that seek to enhance political links with the producer, and the US- Saudi Arabia model is a good example of how weapon export can be used to secure supply; the US provides Saudi Arabia with arms, in exchange for oil (Kelly and Leland 2007:29).

Table 2.1 Typology of energy security strategies

Institutionalisation strategy	***Market strategy***	***Political strategy***

- Dialogue[10]
  ▪ Bilateral
  ▪ Regional
- Formal bilateral agreement
- Formal Intergovernmental/ Multilateral agreement
- Supranational agreement
	• **Infrastructure**
	- Commercial[11]
	• **Investment**
	- FDI[12]
	- Financing instruments[13]
	• **Removing barriers to trade**
	  - FTA
	  - Regulatory harmonisation
	  - Promotion of inclusion in the WTO[14]
		• **Cooperative instruments**
		- Political and financial support of infrastructure[15]
		- Development aid[16]
		- Weapon export[17]
		- Military assistance[18]
		• **Conflictive instruments**
		- Occupation or intervention
		- Sanctions[19]
		- Protection of critical infrastructure

[10] Regular diplomacy such as negotiations, forums and summits
[11] Commercial activity; responsible for these are consortia of energy companies, both EU member states´ companies and other energy companies. An overview of pipelines is included in the annex.
[12] The data are based on UNCTAD (2011) FDI country profiles, and European Commission (2011a).
[13] Financing instruments of the EU such as TACIS and ENPI (elaborated in the empirical analysis).
[14] This information is based on the EU´s own presentation of its bilateral trade relations where it says straightforward that it supports accession negotiations. See for example European Commission (2011b) and similar pages for the other countries referred to here.
[15] This is based on the status of the pipeline in relation to the TEN- E guidelines. The TEN- E guidelines are based on the Trans- European Energy Networks programme which aims at providing additional routes and access to more sources of gas to increase diversification. It was established by the Commission in 1994 and it states priority projects for these purposes that can either be pipelines, LNG import terminals or storage. The list of projects has been extended and the projects are provided with financing, complementary to member state financing. The financing is given mainly for feasibility studies, and the inclusion of a project is also regarded as an act confirming the political support for the project from the EU (IEA 2008:81-82). It is thus political intervention, in contrast to the strictly commercial activity of companies creating pipelines for market creation purposes.
[16] These amounts are Official Development Assistance towards all of the countries except Israel, Kuwait, Qatar, UAE and Russia, which may receive Official Assistance in that they are More Advanced Developing countries. The amounts are targeted mainly towards social infrastructures, economic infrastructures and services, production, multi- sector cross cutting, budget support food aid/ security, action relating to debt, humanitarian aid and other/unallocated (European Commission 2010c).
[17] The data are based on the SIPRI Arms transfers database (SIPRI 2011), and was generated 20.04.2011. All of the EU member states were chosen as suppliers, whereas all the producers were set to be recipients. The data entails transfers of major conventional weapons in the period from 1995 to 2010, and includes both orders and licenses given from the EU member states to the producers included in this thesis. The largest weapon exporters of the EU in this period were the UK, France, Germany, Italy and the Netherlands. Copy in author´s files.
[18] EU missions, Peace Building Partnerships and Instrument for stability crisis response programmes (EEAS 2011a).
[19] Restrictive measures (sanctions) currently in force (EEAS 2011b)

2.2.5 What can explain the eventual variation in the EU´s external energy security policy?

In the FPA literature, the concept of motivation is essential in the study of foreign policy actions. For instance, Snyder et al (2002:116-117) discuss motivation around the following questions; why does action take the particular form that it does in a particular situation? Why do patterns of action evolve from decision- making? Although this thesis is not a study of the motivations of the EU per se, or the decision- making process as noted, the chapters so far have provided me with a possible "motivational chain" for the EU concerning its external energy security policy. I argue that this motivational chain ultimately provides me with the necessary link between the strategies and the level of intensity referred to above with certain characteristics of the producers. In the end this is the analytical framework for explaining the eventual variation.

Firstly, I have established that the EU has motives for undertaking actions relating to its energy security; the high dependence on import and the different producers it has to relate to, give the EU a reason to develop and manage its external energy relations.

Secondly, the debate between different theories of IR gives the EU motives to make use of various instruments as the theoretical arguments focus on the effects of them; some will be more successful than others given the nature of the international system, the role of the market, the nature of human beings and the extent to which states will engage in cooperation or not, as well as the view of energy security as a market commodity or as a strategic resource. As such, the strategies which were deduced from these theoretical arguments presented in the table above provide the toolbox for the *how* in the research question, and moreover, the toolbox for a gas consumer.

Thirdly, when relating to different producers the various characteristics give the EU a reason or motive for pursuing one or the other instrument, keeping in mind the theoretical arguments of realism, institutional and economic liberalism. Why is this? The theories presented do not in themselves say anything about the relevance of the counterpart for the choice of strategy or the level of intensity for that matter. Yet, insights from the FPA literature can be employed to make this link clearer. It is demonstrated here that in order to say something about foreign policy behaviour one has to be attentive to the context, here intended as other actors and the set of relations they entertain. The argument is advanced by scholars advocating the so- called strategic- relational approach (cf. Brighi and Hill 2008, Hay 1995, 2002). They emphasise that "foreign policy behaviour is produced via a dialectic between the

actor´s own strategy on the one hand, and context on the other" (Brighi and Hill 2008:119). The actors are understood to be oriented towards the attainment of stated goals, while also, in the course of action, take into account the strategies of other players. The foreign policy behaviour of an actor has to be analysed in relation to its surrounding environment, thus the relational element of the approach becomes apparent (ibid.). The context referred to in these arguments is included by taking account of certain characteristics of the producers.

Further arguments can be derived from the Clingendael study referred to in the introductory chapter. The implications of this for the EU are that provided that the producers it relates to place themselves somewhere along the dimensions of the Regions and Empires and Market and Institutions storylines, the EU will have to approach them differently. As Claes (2009:42) puts it; "the EU would have to be able to conduct a very different external energy policy dealing with Norway on the one hand and Libya on the other". Given that this study was conducted in the beginning of the decade it provides good arguments for including the characteristics of the producers in the present analysis. An outline of the characteristics deemed relevant and how these will be determined is included in the following. The subsequent presentation of empirical expectations will provide the arguments for including these characteristics.

2.2.6 Characteristics of the producers

The first characteristic[20] chosen for this analysis is *the type of the political regime* in question. This is determined by the scores of the Freedom House index, which rates countries according to the level of freedom of political rights and civil liberties. According to Freedom House (2011);

> "Political rights enable people to participate freely in the political process, including the right to vote freely for distinct alternatives in legitimate elections, compete for public office, join political parties and organisations, and elect representatives who have a decisive impact on public policies and are accountable to the electorate. Civil liberties allow for the freedoms of expression and belief, associational and organisational rights, rule of law, and personal autonomy without interference from the state".

These rights are estimated according to how the rights are experienced by individuals, and not the legal existence of the right per se; the estimates are thus based on the actual implementation of the rights. The index consists of a scale that runs from 1 to 7 for political

[20] The data concerning the indicators chosen for these characteristics are included in the annex if they have been retrieved from different sources or have been summarised and interpreted by me. This is the case for pipeline connection and conflict level. Remaining data can be retrieved from the various sources referred to in the text and bibliography or can be provided upon request.

rights and a similar rating for civil liberties; a rating of 1 indicates the highest degree of freedom and 7 the lowest level of freedom**.** The degrees of freedom that are given based on an evaluation of these rights show that the freer, the more democratic, and a status of partly free is comparatively more freer than not free (Freedom House 2011). Furthermore, I have included the Corruptions Index by Transparency International (2011). The index measures the perceived levels of public sector corruption running from 0- 10, with 0 being highly corrupt and 10 very clean. I find this relevant because securing energy has a clear economic element, and the trade in natural gas thus involves economic policy and transactions that might be affected by the level of corruption. Most of the world´s gas companies are partly or fully owned by the state; this makes the level of corruption in the public sector a relevant aspect or characteristic of the producer that the EU has take into consideration when employing and developing its strategies.

The second characteristic, *resource richness,* is determined by estimates of proven reserves (Trillion Cubic feet (tcf), 2009) and reserves to production (R/P) ratios (BP 2010 and EIA 2011). These numbers are included to illustrate the supplier potential of the different countries and regions, and will be divided into high, medium and low. By looking at the reserves to production ratios it will provide some information as to what extent the proved reserves can be extracted.

Third, the *level of interdependence* between the parties is decided based on the EU´s share of total import to the country or region, as well as the pipeline connection denoting structural dependence and strategic importance in terms of supply capacity (European Commission 2011a). The import numbers illustrate if the EU is an important trade partner for the country or region in question, while the pipeline connections are mapped out, the criterion being physical connection to the EU. Furthermore, these numbers are seen in relation with the numbers on gas imports into the EU by origin (EU energy statistical yearbook 2010). Approximately a 50 – 50 division, along with physical integration via several pipelines signifies a high degree of interdependence. Conversely, if one party is more dependent on the other, or if there is hardly any trade between the parties at all, the degree of interdependence is low. The level of interdependence considered is thus economic interdependence. It is worth noting that in contrast to the other characteristics, the degree of interdependence is a characteristic more of the relation and not the producer per se. Yet, the indicators used for this purpose are highly relevant for the producer and the energy relation; therefore, this feature is included among the characteristics.

Finally, the general *conflict level* is determined based on information from the Correlates of War project´s datasets (2011)[21], and is divided into high, medium and low. These datasets cover interstate and intrastate wars in the period 1816- 2007 (v.4.0), and the observations in these tables are retrieved from the dataset by checking and counting which countries that have participated in the respective types of war from 1945 until today.

The scores on all of these characteristics are presented under each chapter analysing the relationships between the EU and the producers. It must be underscored that I am well aware of the fact that other factors such as internal differences and considerations as well as other characteristics than the ones I include in this analysis might influence and do influence the choice of strategy. I will come back to these considerations in the comparative chapter and conclusion.

2.2.7 Empirical expectations

These specific empirical expectations are based on an argument derived from the abovementioned motivational chain: Provided that the producers display certain characteristics, certain strategies will dominate. An important note is that these expectations underline the fact that no strategies are expected to be nonexistent in relation to certain characteristics, rather, the level of intensity is expected to vary. As such, certain scores on the characteristics will give the EU a reason to pursue a strategy with less intensity than the opposite scores and vice versa.

There are no specific theoretical arguments in the debate referred to above that imply that a consumer should act differently according to the regime type of the producer. However, the instruments of the political cooperative strategy can be utilised in order to create more stable and secure regimes, for example through development aid and military assistance. According to realists this can ultimately enhance energy security, and as such it can be expected that the EU will pursue them with high intensity if the regime is not free. Furthermore, these policies might help to promote other policies such as governance reform,

[21] The exact numbers are included in the annex. The criterion for an observation is that the country figures as a participant in a war, or is the place where the war is fought. For an exact rendition of all the names of the wars, duration and casualties please consult the datasets of the COW. Moreover, these numbers are not necessarily a good reflection of the current conflict level. Nevertheless, this indicator take into consideration both conflict history and fairly recent conflict level, and points to a relevant characteristic for energy security.

in order to improve the conditions in the regime which might be beneficial for the EU´s supply security in the end. These instruments become less relevant if the regime is free.

1) *If the producer is a free regime then the EU will pursue political cooperative instruments with low intensity. Conversely, if the producer is a partly free or non free regime the EU will pursue political cooperative instruments with high intensity.*

Seen in relation to the theoretical arguments of economic liberalists, market creation is relevant in order to secure that the resources the producers possess can be made available for the gas consumer. This is especially true when it comes to removing barriers to trade and commercial infrastructure. If the producer does not have any considerable level of resource richness, these efforts become irrelevant, at least from a commercial view, because it makes no commercial sense to create a pipeline if there are no resources available that can supply the pipeline. As such, it becomes more logical to put more effort into this kind of strategy where there are a lot of proven reserves, i.e. towards the producers with high resource richness. Conversely, the level of intensity with which a market strategy is pursued is low if the producer has a relatively low level of resource richness.

2) *If the producer has high and medium levels of resource richness then the EU will pursue the market strategy with high intensity. Conversely, if the producer is resource poor then the EU will pursue the market strategy with low intensity.*

Institutional liberalists view a situation of economic interdependence as a favourable situation that institutions can promote; the members can create more cooperation and interlinkage in an institutionalised web of interaction. Subsequently, it can be expected that if the degree of interdependence between the EU and the producer is low, it becomes important to institutionalise the relationship, because this can create an arena for more cooperation and also increase the interdependence by taking advantage of the possibility of issue- linkage in these institutional frameworks. Low degree of interdependence characterises those relationships where the EU has had little engagement, and therefore a relevant strategy becomes institutionalisation with a relatively high intensity in order to take advantages of the cooperation for energy security purposes. Thus, it can be expected that if the level of interdependency is low, the EU will seek to take advantage of the benefits of a more institutionalised relationship by creating common grounds for promoting the mutual interests in trade and economic collaboration between consumers and producers of natural gas. This

will further the relations with the producer as more cooperation can be expected. This high intensity of institutionalisation will not be similarly relevant if there is a high degree of economic interdependence.

3) *If there is a high degree of interdependence between the EU and the producer then the EU will pursue the institutionalisation strategy with low intensity. Conversely, if there is a low degree of interdependence then the EU will pursue the institutionalisation strategy with high intensity.*

The theoretical arguments of realists emphasise the importance of physically securing supply, and they view energy security as a zero- sum game. The same way competition from other consumers can reduce the possibilities of gaining access to supplies in this zero- sum scenario, so can a high general conflict level. War and political unrest are recognised sources of energy insecurity; they can result in supply disruptions with detrimental consequences for both the actual supply and the price of energy i.e. availability and affordability (Holden 2008:38). Therefore, security policy and "hard power" are essential instruments in order to protect both reserves and pipelines, ensuring continued supply of gas to consumers. Consequently, the political conflictive instruments become relevant if there is a high level of conflict. These measures can also be used to induce the producers or the parties of the conflict to change behaviour for example through sanctions[22], to a more favourable behaviour for supply security. Conversely, there is no need for these conflictive measures if the conflict level is low.

4) *If the producer displays a high or medium conflict level then the EU will pursue political conflictive instruments with high intensity. Conversely if the producer displays a low level of conflict then the EU will pursue political conflictive instruments with low intensity.*

It is worth noting that other combinations between the chosen characteristics and strategies can be justified according to the different theoretical arguments referred to above. For the sake of simplicity these are not formulated explicitly, but will be commented and discussed in the comparative chapter where this is relevant.

[22] I recognise the fact that the extent to which sanctions actually can have this effect on their targets is fiercely debated in political science. However, the debate is too encompassing for this thesis, and will therefore not be elaborated. Moreover, the focus of the thesis is not the effect of these instruments.

3 Empirical analysis

3.1 EU- Mediterranean energy relations

3.1.1 Short background of the relations

The Mediterranean region has a pivotal role in connecting the EU to other producer regions such as the Caspian and the Gulf region: Turkey, Egypt and Algeria, are important transit countries for the Caspian, the Middle east and Nigeria respectively (Winrow 2008:162). Additionally, Algeria is the third largest supplier of natural gas to the EU.

The formal relations between the EU and the Mediterranean countries[23] started with the Barcelona process in the 1990s, which ended up with a declaration in 1995, also referring to energy by emphasising the "pivotal role of the energy sector and the importance of strengthening the cooperation and intensifying dialogue in the field of energy policies" (Barcelona Declaration 1995:6). This framework agreement between the two regions aimed at creating an economic area and to integrate the Mediterranean countries into European free trade as well as creating a zone of political stability and security (Haghighi 2007:361). In 1996, the energy relations were deepened with the establishment of the Euro- Mediterranean Partnership (EMP) in the energy sector (European Commission 1996). In this, the EU`s security of supply was emphasised, especially with the importance of suppliers such as Algeria and transit countries such as Tunisia and Morocco. The launch of the European Neighbourhood policy in 2004 brought another dimension to the relationship. In 2008 the arrangements of the Barcelona Process were re- launched as the Union for the Mediterranean (UfM) as an attempt to revitalise the political relations and reorganise the governance of the framework. However, rather surprisingly, "the UfM does not mention the issue of energy security, nor does it deal with any aspect of fossil energies" (Escribano 2010:221). Libya is included as part of the analysis even though it is not part of the Euro- Mediterranean partnership. This is because it represents a current source of supply for the EU. In addition, the EU has sought to some degree to develop energy relations with the country.

[23] Morocco, Lebanon, Israel, Jordan, Malta and Cyprus (now EU members), Egypt, Algeria, Syria, Tunisia, Turkey, the Palestine Authority, Libya (observer status)

3.1.2 Characteristics of the region

The countries of the Mediterranean region display a relatively wide range of freedom of political rights and civil liberties, on average 5,4 and 4,6 respectively. Israel is the only country deemed free, while Morocco, Lebanon and Turkey are regarded as partly free. The remaining countries are considered not free, and the *regime type* of the Mediterranean region lies somewhere between partly free and not free. The level of corruption is fairly high with an average score of 3,6. The Mediterranean region supplies first and foremost the southern European member states of the EU, and in 2007 Algeria and Egypt held a share of around 16 % and 2 % of the EU natural gas import respectively. Libya held a share of around 3 % (EU energy statistical pocketbook 2010). Moreover, the supply figures point to the fact that "the Mediterranean countries differ greatly as to their external trade in energy. Some of them are net energy exporters (Algeria, Egypt), others are in balance (Tunisia, Syria), while the remainder are obliged to import energy sources (Morocco, Malta, Lebanon, Israel, Jordan, Palestinian Authority, Cyprus and Turkey)"[24] (European Commission 2001:10).

Considering the indicators on *resource richness*, they are in line with the export figures and show that it is only Algeria, Egypt and Libya which have the proved reserves currently worth mentioning in the Mediterranean region (159,1, 77,3 and 54,4 tcf respectively). On average the region holds around 27,7 (tcf, 2009) of proven gas reserves. The R/P ratios also reflect that under current production levels, the proved reserves of the countries will last for around 50- 100 years, indicating that they are able to supply the EU for a relatively long time[25]. Since the average resource richness for the region as a whole is relatively low compared to other producers, the Mediterranean region is classified with low levels of resource richness, even though Algeria holds considerable gas resources, ranking as number ten in the world.

The EU holds a share of 41,3 % of the total import of the region on average, and of the Algerian and Egyptian import 50,6 and 31,9 % respectively. The EU is thus an important trading partner of the Mediterranean region, underscoring a relatively high level of *interdependence* between the parties. Adding to this is the pipeline connection between the regions; currently there are four pipelines from the region to the EU, while plans have been announced for more. Even though Turkey currently does not hold proved reserves worth

[24] Malta and Cyprus are now out of this picture as full member states of the EU.
[25] This argument has to be regarded in light of the fact that not all of the gas produced in these regions and countries necessarily will be exported to the EU in the future; this is also an important incentive for the EU to engage itself in these regions in order to secure future supply.

mentioning, the EU is a very important trade partner for the country, and at the same time, the country is crucial for transit of future supplies from the Caspian and Gulf regions, as demonstrated in the analysis. The future pipeline connection can thus be expected to increase between the EU and Turkey, and thus also the level of interdependence, even though this form of transit dependence add a somewhat different dimension, and is unlike the interdependence between supplier and consumer.

The Mediterranean region displays a high *conflict level* according to the COW datasets, when both intrastate and interstate wars are taken into consideration.

The image that emerges of the Mediterranean region is that it is an important supplier of natural gas to the EU, albeit not all of the countries. The region is also dependent on the European market to a fairly high degree. Yet, the conflict level is high, and the regimes are on a general level not free, which are factors that clearly have consequences for the appropriate instruments to apply.

3.1.3 What type of instruments has the EU utilised?

An important feature of the Euro- Med energy relations is the different channels through which the EU has sought institutionalisation, both at bilateral and regional level. Similarly, instruments of the market strategy such as free trade promotion and regulatory harmonisation are also prominent. Removing barriers to trade was as noted one of the objectives behind the Barcelona process and the progress in this area is elaborated below. The instruments of the political strategy are also pursued with high intensity, most notably the cooperative ones.

Institutionalisation strategy

The main organs of the Euro- Med energy cooperation are a ministerial conference and a Forum of Energy General Directors. The European Commission acts as the Secretariat of the Euro- Med Energy Forum[26]. It is the main instrument for promoting dialogue between the EU and the Mediterranean partners on energy issues. Binding bilateral Association Agreements have been signed between the EU and most of the Mediterranean countries, in addition to the regional framework for cooperation (Winrow 2008:164). The institutional strategy towards the Mediterranean countries is very much influenced by the fact that they are in the close vicinity of the EU, and are therefore prone to the neighbourhood policies of the Union. With

[26] The Energy Forum comprises representatives of the 27 Member States of the Union and the 12 Mediterranean partners at the level of Director-General. (European Commission 2001, MEMO/08/755)

the establishment of the European Neighbourhood Policy (ENP) in 2004, EU included its Mediterranean relations. The Neighbourhood policy is not about enlargement, nor does it offer possibilities for future accession. It is viewed by the EU as a strategic way of enhancing political links and promoting social development, good governance and security in its close vicinity (ENPI Info centre 2011). Viewed from an energy security perspective, this stability can be regarded as essential for reducing the risks associated with continued supply, and it thus becomes an important instrument for availability and reliability of supplies. Within the framework of the ENP, the EU has signed Action Plans with Egypt, Israel, Jordan, Lebanon, Morocco, Tunisia and the Palestinian Authority (Winrow 2008:164). Several of the ENP Action plans have set up the prioritised measures for energy cooperation (Escribano 2010:217), encompassing the necessary political and economic reforms, among other things related to trade, security and energy. In return for progress on relevant reforms the EU offers increased assistance and enhanced market access (ENPI Info centre 2011). The most important bilateral institutional relations are elaborated below. Moreover, EU delegations have been opened in several of the Mediterranean countries included in the partnership.[27]

The model of the European Energy Charter[28] influences the institutional relations with the Mediterranean countries. It was signed in 1991, and became a treaty in 1994 (ECT). More specifically, the linking of security of supplies and a functioning energy market which the EU strongly promotes in the Mediterranean can be traced back to the principles of the Energy Charter (Escribano 2010:214). The EU has repeatedly encouraged the Mediterranean countries to accede to the European Energy Charter, and Algeria, Tunisia, and Morocco gained observer status in the ECT in 2003 (Haghighi 2007:367). As will become evident in the chapter on Russia, the EU has generally met a lot of resistance on the part of the producers concerning the adherence to the ECT, and the Mediterranean region is no exception. This implies that even though the ECT principles influence the Mediterranean region to a large degree, the EU has not succeeded in bringing the institutionalisation of the principles onto a higher level of binding commitments.

The Commission is also considering including the Mediterranean countries in the EU Energy Community, originally destined for South- East Europe, in order to secure a Mediterranean Energy Ring that would enhance the integration of European and

[27] Palestinian Authority, Tunisia, Morocco, Israel, Egypt, Algeria

[28] The Charter underscores the importance of protection of foreign investment, non- discrimination in trade with energy materials, dispute resolution and the principle of freedom of transit, and is a prominent multilateral measure to enhance energy security (Wikipedia.org 15.02.2011). It will be elaborated in the EU- Russia chapter.

Mediterranean energy systems (Escribano 2010:220). If this is realised, the EU is furthering its institutional relations with market creation purposes with the Mediterranean countries.

Concerning the institutionalisation of bilateral relationships, the EU signed a Joint Declaration with Morocco in 2007 on future energy cooperation, which underlined the importance of the country as a transit state for the delivery of natural gas and electricity to Europe (Winrow 2008:168). In 2008 Morocco gained advanced status with the EU. It entails the gradual integration of the country into a number of EU sector policies and a preparation for a deeper free trade agreement. Moreover, "with this advanced status, Morocco will benefit from more funds and will have a status slightly above that of the Neighbourhood Policy´s members" (Morocco Business News 2008). The same year, a Joint Declaration with Jordan was also signed, supporting reform in the energy sector "with a view to a progressive integration of the Jordanian energy market into that of the EU".[29] The EU signed a Memoranda of Understanding (MoU)[30] with Egypt in 2008 that included provisions on the development of the Egyptian energy sector, gradual convergence of Egypt´s energy market with the EU, as well as development of energy networks.[31] All of these agreements illustrate that the EU has incorporated provisions facilitating market creation, most notably harmonisation of regulations, in its institutionalisation strategy.

The relationship with Algeria has been somewhat challenging for the EU, because it has been the Mediterranean country "most resistant or unwilling to incorporate several of the internal market governance norms promoted by the EU" (Youngs 2007:9). For example, in 2007 Algeria resisted to drop restrictions in its supply contracts which had prevented its European costumers from reselling gas from the state-owned energy company Sonatrach within Europe. This restriction is the so- called 'destination- clause' that limits the onward sales and use of gas to a contractually geographic area, giving the producer direct access to European gas consumers (Belyi 2008:210). The EU viewed this as an anti- competitive obstacle to a liquid market, and in the end, EU pressure through competition investigation led Sonatrach to agree on opening up its gas supply contracts, and abandon the destination clause (Electric Energy Online 2007, Winrow 2008:167). This is an example of EU pressure leading

[29] IP/07/1642 For the sake of simplicity the references referring to press releases in the Rapid database are from now on included with the tag number in footnotes. The web- address where these press releases can be searched and retrieved by number is included in the bibliography.

[30] "A Memoranda of Understanding is a document describing a bilateral or multilateral agreement between parties. It expresses a convergence of will between the parties, indicating an intended common line of action. It is often used in cases where parties either do not imply a legal commitment or in situations where the parties cannot create a legally enforceable agreement. It is a more formal alternative to a gentlemen's agreement" (Wikipedia.org 14.02.2011).

[31] IP/08/1854

to conformity with EU competition rules, and is an illustration of the efforts to harmonise regulations elaborated below. Algeria also proposed to establish a partnership similar to the one offered to Russia. The EU´s answer to this proposal was a road map accompanying the already existing Association Agreement, with energy as one of the priority issues, thereby not giving Algeria the same status as it had given to Russia, which will be demonstrated in the chapter on the EU- Russia energy relations (Escribano 2010:221). The EU has expressed desire to conclude a MoU on energy with Algeria, and has initiated a process of negotiation for this (Piebalgs speech 2007a[32]). In 2011, there are no confirmations of the conclusion of such a MoU, and the negotiations are still ongoing.

Turkey is currently an important country for the transit of gas to the EU from different producers, most notably the Mediterranean and Russia. With the development of the Nabucco elaborated in the chapter on the Caspian region, Turkey's role as a hub for energy supplies will become more important, as an essential part of the vital Southern Energy Corridor project. The realisation of Nabucco is dependent on transit arrangements, and about half of the pipeline will stretch across Turkey (Euractiv 2010). Thus the bilateral relations with this country within the Mediterranean framework are essential. Turkey is in a different position than the majority of the countries considered in this thesis; it has adopted an accession partnership with the EU, and is negotiating the possibility of becoming an EU member. The strategic position of Turkey for supply of oil and gas from Russia, the Caspian and the Gulf region is one of the aspects in the negotiations over Turkish membership to the EU, as well as a factor in the overall relationship with Turkey. In the accession negotiations the energy chapter is currently closed due to disagreements between the Greek Cypriots and Turkey over gas and oil explorations in the eastern Mediterranean. This has resulted in political challenges because Turkey is aligned to the criteria of the chapter and ready to open it; it views the prevention from Cyprus´ side as purely political. Moreover, the EU has sought to include Turkey in the ECT as well, but it remains only as an observer. The reason presented from Ankara is that Turkey is not a member state and the energy chapter is blocked, so why should they apply EU laws in their territory? (Sayan 2010:10). This view resonates with similar views from the other Mediterranean countries. Moreover, the blocking of the energy chapter is certainly not supporting the vital role Turkey has in the Southern energy corridor, mentioned above.

[32]See also MEMO/08/755

Libya and the EU has traditionally not had any diplomatic relations; this was stalled for years over charges from the Union that Libya supported terrorism, following from the Lockerbie- bombing in 1988. Currently, the importance of Libya for the EU´s energy security is largely connected to oil supplies. In 2003 Libya abandoned its nuclear program and later it accepted responsibility and paid compensation to the families of the victims of Lockerbie. Consequently, relations improved, and in 2008 the EU initiated negotiations over a framework agreement. Cooperation issues were identified as energy and migration, as well as an FTA agreement (Euractiv 2008). In early 2011 this agreement was not yet concluded (European parliament 2011), and the latest developments in the country imply that this process will probably be put on hold. Thus, the level of institutionalisation with Libya is low. The few dialogues that exist over energy cooperation have been taking place under the EMP where the EU has identified the integration of European and Maghreb gas markets, the extension of the European Community Treaty to the Southern Mediterranean and the inclusion of the Libyan energy markets into the broader regional framework as priorities (Burke et al 2008:11).

In addition to the aforementioned bilateral institutionalisation between the EU and individual countries, member states have also concluded important bilateral deals with Algeria and Egypt (most notably France and Spain) (Burke et al. 2008:11). These tendencies can also be observed in relation to the other producers, and the chapter on Russia and the Gulf region will further elaborate on this. Moreover, given the constraints and sources of the EU´s energy security policy, such observations are not surprising. An important point relating to this is the extent to which these deals actually increase and decrease the overall energy security of the Union. Currently, this is an essential part of the debate within the EU in relation to the development of a common energy policy. Even though it is beyond the scope of this analysis to go into this debate, it is evident that it will have important implications for the EU´s ability to speak with one voice in its external energy relations.

All in all, the EU has pursued the institutionalisation strategy with high intensity towards the Mediterranean region; both at regional level as well as the bilateral level.

Market strategy

The development of infrastructure and energy networks is among the objectives for an EU energy security policy towards the Mediterranean region. As noted this can have a strictly commercial nature, or it can be prioritised under the TEN- E guidelines and hence enjoy

political and financial support from the EU. The only current pipelines that have been built strictly as a commercial activity of European and Mediterranean energy companies, either as part of the consortium or as operators, are the Maghreb- Europe pipeline and the Green Stream. Thus, two pipelines from the Mediterranean have a political strategic nature as this has been defined in the analysis and will be elaborated below.

Regarding financial instruments, the EU has allocated investments for projects in the region aimed at integrating the markets, as well as loans from the EIB to support energy infrastructure priority projects.[33] The inclusion in the ENP, and through it, the European Neighbourhood Policy Instrument (ENPI) replacing the MEDA programme, has signified more financial assistance and more access to the EU internal market in return for political and economical reform (Winrow 2008:164). In 2003, the Energy Forum agreed to set up an energy programme outlining priority areas for cooperation, including the financing of an integrated gas market in the Mashreq[34] countries (Winrow 2008:167). The Euro- Arab Mashreq gas centre has been established in Damascus, which is providing technical assistance from the European Commission, and has especially been working on the integration of the Mashreq gas market with an aim of eventually integrating it into the European Gas Market.[35] The Commission stresses the significance of enhancing access for European companies in the Mediterranean markets for the production and export of energy resources (Burke et al. 2008:15). It has also promoted cooperation between energy companies in the Mediterranean basin, through for example the establishment of the OME[36] (Piebalgs speech 2007b). The numbers on FDI from the EU to the region between 2007 and 2009 indicate that the FDI has been concentrated on Egypt, Turkey, and Morocco. Moreover, Algeria and Tunisia were also main destinations, resonating with current export and resource richness levels, as well as transit importance. Yet, because of the quality of data relating to FDI it is difficult to conclude anything referring to level of intensity and comparing them to other producers, and they are therefore at best an illustrative indication of the way the EU has pursued the market strategy in the region.

Another prominent measure has been regulatory harmonisation or attempts to converge the energy sectors of the Mediterranean countries with the EU´s internal market. Basically, "the idea is trying to extend EU´s energy *acquis communitaire* to its neighbouring

[33] IP/06/1238
[34] (Egypt), Jordan, Lebanon, Syria, the Palestine authority.
[35] IP/08/677
[36] Observatoire Méditerranéen de l'Energie was founded in 1988 and its main task is to "promote the co-operation between the major energy companies operating in the Mediterranean basin". See also IP/07/1886

countries, in order to achieve a pan- European energy community" (Commission cited in Escribano 2010:213). The regulatory harmonisation is pursued through attempts to converge the energy markets of Europe and the Mediterranean region, as well as through free trade negotiations. As an example, the 2008- 2013 action plan for the Euro- Med energy partnership envisions among other things to establish a regional database to monitor gas market/energy sector reform. The Euro- Mediterranean Energy Platform (REMEP) was subsequently created to facilitate and monitor the implementation of gas market reform, and to develop energy scenarios, demand and supply forecasts (European Commission 2008b). These reforms are regarded as crucial for the eventual convergence of energy markets.

As mentioned, the Barcelona process set out intending to negotiate a free- trade agreement. Yet, a formal free trade agreement has not been set up, even though this was foreseen for 2010. However, the EU has also financially supported the process of negotiating a free- trade agreement between Jordan, Egypt and Morocco, called the Agadir Agreement, signed in 2007, which is perceived as a significant step towards a free- trade area for the Euro- Mediterranean region.[37] Hence, even though an encompassing FTA is not in place, the EU still pursues this instrument on a step- by- step basis. Moreover, the EU has promoted and participated in the negotiations over the Algerian accession to the WTO. The inclusion of the producers in the WTO is especially important for the EU because of the dual pricing system they often maintain. This implies that the price of gas is higher for the EU as an importer than the domestic prices within the producer country. The EU has attempted to remove this arrangement through the principles[38] of the WTO, because it considers it as unfair competition. However, because of the unclear feature of the principles, the producers have often argued against their application, and consequently the WTO has become a rather limited instrument for this purpose (Belyi 2008:211-212). Nevertheless, it remains an important pillar in the trade policy of the EU.

Political strategy

Important political instruments are the infrastructure projects the EU has supported by giving them priority status under the TEN- E guidelines[39] including the Medgaz pipeline linking Algeria to Spain, the Trans- Mediterranean pipeline and the planned Galsi pipeline from

[37] IP/04/256
[38] Most notably through the agreement from the Uruguay round on Subsidies and Countervailing Measures, concerning those subsidies that might affect export. The different tariff mechanisms for inland use of energy and export are viewed as subsidies influencing the export of natural gas (Belyi 2008:211).
[39] Referred to in the theory chapter

Algeria to Italy. The idea is that these pipelines can deliver more gas to the Iberian Peninsula, and eventually to France and Germany (Winrow 2008:172). The EU has also expressed support for the exploration of a possible Trans- Saharan pipeline, where Algeria can become a transit state for natural gas from Nigeria. In 2007 the energy commissioner signalled that the EU could give financial support to the realisation of this project, and that this could enhance diversification of supply (Winrow 2008:172). Furthermore, the Arab Gas Pipeline represents an important source of supply, especially if connected to the Nabucco project. It runs from Egypt through Jordan and Syria, and it has later been interconnected with Turkey where it can be connected with Nabucco in the future. Iraq is also a possible supplier, and it thus provides a new transport route for gas resources from the Mashreq region to the EU. It has been an important issue in the development of the Mashreq gas market referred to above (Winrow 2008:167).

Moreover, other prominent instruments the EU has pursued towards the Mediterranean region are development aid and arms export. The data collected for these purposes confirm this argument; on average, the EU disbursed around 870 million € a year between 2004 and 2009 to the region as a whole (European Commission 2010c). Similarly with weapon export, the SIPRI has tracked 48 transfers of conventional weapons (i.e. supply contracts on different weapons and military equipment) from EU member states to countries of the Mediterranean region in the period between 1995 and 2010. The EU has also made use of several instruments aiming at military assistance in the region, most notably through the Stability Instrument (Lebanon, Libya, Palestine, Syria), and Peace- building partnership (Lebanon, Palestine, Syria) and Mission in Palestine. These instruments are part of the crisis response mechanism of the EU, and the partnership also focuses on the relationship between civil society and EU institutions (EEAS 2011a). Turning to the more conflictive ones, the most prominent instrument utilised by the EU is sanctions[40], mainly towards Libya, Lebanon, Syria, Egypt and Tunisia. These are basically embargos on arms, freezing of funds and economic resources as well as restrictions on admission of persons to the EU (EEAS 2011b). Furthermore, the current NATO engagement in Libya (spring 2011) includes several EU member states, but as will be further discussed in the comparative chapter, the extent to which this can be related to energy security is debatable. So far, the EU has not established concrete measures aiming at the protection of infrastructure. That this is an essential instrument was illustrated in the Egyptian protests early in 2011 when a part of the Arab gas pipeline was set

[40] Which are council decisions or joint actions within the framework of the CFSP

on fire, halting gas supplies to Jordan and Israel (CNN 2011). The Galileo project of the EU, which aims at the development of a European satellite system, has the potential of monitoring the movements of hydrocarbons, also in relation to the monitoring of gas transport to Europe in the future, but more concrete steps have not been taken yet.[41]

Summed up, the EU has utilised the cooperative instruments to a great extent, whereas the conflictive ones have been pursued to a relatively lesser extent. Still, the overall impression is that the EU has pursued the political strategy with high intensity, and especially compared to the other relations considered in the analysis, which will become evident further on. As such, the EU has pursued all of the strategies with relatively high intensity towards the Mediterranean region.

3.1.4 What strategies dominate and with what intensity?

As will be evident from the analysis, the energy relations with the Mediterranean countries are characterised by a lot of effort from the EU, on both the regional and bilateral level, and they are also heavily influenced by the broader political institutional framework applying to the Euro- Med relations, such as the European Neighbourhood Policy. With reference to the analytical framework, it is clear that the EU´s approach towards the Mediterranean countries is well situated within the institutionalisation and market strategies, because the EU has pursued measures on all the dimensions; liberalisation, regulatory convergence with the aim of establishing an integrated energy market, securing investment access, as well as large amounts of lending and funding to energy related projects. However, elements of the political strategy are also present, most notably with the prominent use of political support for infrastructure, development aid to enhance political links with the parties, as well as military assistance and arms export. Compared to the other producers, this is a feature that separates the Mediterranean region, and will be further elaborated in the comparative chapter. These measures might be expected to figure more prominently in the near future, given the latest developments in the countries of Northern Africa and the Middle East.

[41] IP/03/680

3.2 EU- GULF energy relations

3.2.1 Short background of the relations

Except for the UK, Europe has not had a strong presence in the Gulf region; it was not until the oil crises in the 1970s that the Gulf region really attracted the Europeans´ attention (Echagüe 2007:1). According to Haghighi (2007:371), the relationship with the countries situated around the Persian Gulf and the European Union is the least developed of all the energy relations. The Gulf region has long been considered as important to the EU, but never urgent (Youngs 2009a:1). Nevertheless, recognising the Gulf region´s potential as a future supplier of natural gas, the EU has sought to intensify its energy relations with the Gulf States, mainly through the GCC[42]. Additionally, it has bilateral relations with Iran and Iraq.

3.2.2 Characteristics of the region

The scores on political rights and civil liberties of the countries constituting what I have defined as the Gulf region range between 4 and 7, indicating a low level of freedom. In fact, all of the countries, except Kuwait, which is partly free, are regarded as not free by Freedom House, and the average score is around 5. The level of corruption in the public sector is considered by Transparency International as quite middle range on the index running from 0-10; several of the countries lie between 4,5 and 7,7, except for Iran and Iraq, which display a high level of corruption (2,2 and 1,5 respectively). The average score is 4,6, slightly better than the Mediterranean region. Currently, the Gulf region represents a very small amount of the total gas supply to the EU; only Qatar has some of its export shipped to the EU as LNG, amounting to around 2,4 % of the EU´s total import of natural gas (in 2007). Yet, looking at the estimates indicating the resource richness of the region, these figures display a vast amount of proved reserves; on average the region holds 332,6 Tcf of proved natural gas reserves, where Iran and Qatar are the largest share holders, with 1045,1 and 895,8 tcf respectively. The region thus represents a huge possibility for being a new future supplier to the EU. Additionally, the R/ P ratios show that only Bahrain and Oman have reserves that will last for under 100 years under the current production level, supporting the vision of the region´s enormous potential for availability of natural gas supply for the EU (EIA 2011 and

[42] Made up of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates the GCC is an intergovernmental body, and is dubbed "the only successful sub- regional organisation in the Middle East" (Hertog 2007:4).

BP 2010). Presently, the EU holds a share of 26,7 % of the total import to the region on average, a relatively low share. Adding to these supply and import numbers is the fact that there are no pipeline connections between the Gulf region and the EU; signifying a low level of interdependency between the parties as this has been defined in the analysis.

The conflict level of the Gulf region is high, especially in Iran and Iraq.

The Gulf region emerges as a producer representing future potential for the enhancement of the EU´s energy security. It is the producer, apart from Russia, that has the highest level of resource richness, and as will be elaborated below, is increasingly in focus regarding the development of the Southern Energy Corridor and the Nabucco pipeline. Factors that are important with regard to these characteristics are the type of regime, as well as the conflict level.

3.2.3 What type of instruments has the EU utilised?

An analysis of the press releases, speeches and memos concerning energy the last 7-8 years in the EU database, reveal little activity of the EU towards the Gulf region. This is true for all the strategies. Yet, even though the overall level of intensity of the EU´s pursuit of energy security towards the Gulf region is low, some efforts have been made, and will be elaborated in the following.

Institutionalisation strategy

In 1989 the EU signed a Cooperation agreement with the GCC and thus set up a region-to-region institutionalised relationship. It established annual joint ministerial meetings and aimed at cooperation in the realm of energy, industry and trade among other things (Echaqüe 2007:7). The focus of the EU towards the GCC has mainly been the establishment of a free trade agreement, with negotiations running since 1989, but without a conclusion up to date. Energy is also included in the negotiations (Haghighi 2007:375). In 1995 the EU initiated to strengthen the relations, among other things through regular political dialogue (Hertog 2007:4). The free trade negotiations have come to a halt several times and were re- launched in 2002, when it was agreed to refocus the activities of the parties on a limited number of priorities; the FTA, business and energy cooperation (Echagüe 2007:3). Generally, the EU-GCC dialogue includes an EU- GCC energy working group, technical energy experts meetings annually and the Euro- Gulf Energy Summit. Furthermore, the Commission has proposed to extend the structure of different energy agreements within the Euro-

Mediterranean framework (Youngs 2009a:4). This proposal was established in the strategy paper from 2004; "Strategic partnership with the Mediterranean and the Middle East", adopted by the European Council which indicated that the EU wished to pursue bilateral relations with individual Gulf states (Hertog 2007:5). The political document builds on the EMP, the EU- GCC relationship and bilateral relations, as well as the Middle East Peace Process, setting the political agenda for the dialogue between the EU and the regions, focusing on among other things non- proliferation, security and counterterrorism. The EU also aims at economic reform and promotion of WTO membership (European Council 2004).

Additionally, small scale cooperation projects, such as the establishment of a Technical energy centre and an EU delegation in Saudi Arabia and Iraq, have also been put in place (Echagüe 2007:12). The EU has also proposed a MoU on energy cooperation, and in 2006 the parties agreed to promote negotiations of such a MoU (EU- GCC Cooperation council 2006). Yet, the first regional MoU on energy has not been concluded and according to Youngs (2007:9) this is because the GCC countries have rejected this idea.

Moreover, the Gulf countries are reluctant to be part of the ECT; consequently they remain as observers (Escribano 2010:214, Haghighi 2007:374). As such, the EU is currently unable to make use of an important instrument both for institutionalising purposes, but also for market creation purposes, following from the commercially and market oriented provisions of the ECT.

The EU has sought to institutionalise its energy relations with individual countries of the Gulf region, most notably with the countries outside of the GCC, which hold considerable gas resources. A communication from the Commission in 2004 underlined the importance of Iraq in terms of its energy sector, but there had been no political relations before the fall of Saddam Hussein's regime (Haghighi 2007:377). The relationship has developed quite rapidly after this; a delegation was opened in 2006 and energy cooperation was identified as important from then on (Burke et al. 2008:13). In 2008 a Trade and Co- operation Agreement signed with Iraq included an energy chapter, and a MoU on energy was concluded months after, with EU support for infrastructure development, and the transfer of technological knowledge as the most prominent features. Connecting Iraqi supplies to the Nabucco pipeline was also described as a priority (Burke et al. 2008:14). Furthermore Iraq became a part of the Extractives Industry Transparency Initiative (EITI) in 2008, and Qatar has expressed its support for the initiative (EITI 2011a). It represents an attempt to connect energy security and good governance policies and tries to convince multinational corporations to commit to

publish details of their payments in producer states, in order to detect corruption. It is thus an important initiative promoted by the EU as a means of improving the transparency of the energy sector in the producer countries.

The Commission formed a working group on energy with Iran in 1999 (Coskun 2008:12), and the country was also invited to participate as an observer in the Baku initiative, elaborated in the chapter on EU- Caspian relations. The relationship with Iran is influenced by the nuclear- issue; the EU has offered technical assistance in the energy sector if Iran abandons its nuclear programme (Youngs 2007:9). The "carrot" has been a promise of accepting Iranian supplies for the Nabucco pipeline (Burke et al. 2008:13). This clearly reflects strategic bargaining in order to facilitate deeper energy cooperation. Historically, and in contrast to US policies, the EU has aimed not to isolate Iran, and has focused on a more "soft approach", underscoring dialogue and reciprocity as illustrated by the strategic bargaining. Nevertheless, political considerations have impeded the relationship. As will be discussed below in relation to the development of the Southern Gas Corridor, these political challenges have been augmented by the EU´s decision to tighten its sanctions towards the country. This is also reflected in the institutionalisation of the relationship; in 2002 the EU initiated negotiations on a Trade and Cooperation Agreement with Iran, but these were put on hold when Iran resumed its nuclear programme in 2005 (European Commission 2011c). In addition, the relationship with Iran and Iraq has been characterised by markedly different views on the appropriate strategy among the member states (Youngs 2007:9). National policies of member states are important in the Gulf. For example, the UK concluded a bilateral supply deal for LNG with Qatar in 2006 to the complaints of several other member states and Germany´s Angela Merkel underscored a desire to promote Germany's national energy ties during a visit to the Gulf in 2007 (Burke et al. 2008:13, Youngs 2009b:67).

Thus, the EU- Gulf relationship is characterised by a low level of intensity in terms of institutionalisation. The EU has done comparatively little on the regional level, and the established initiatives are mostly dialogues. More binding institutional commitments are absent. Furthermore, the relations with individual countries are not without challenges and national policies of the member states often prevail.

Market strategy

Since there are currently no pipelines from the Gulf region, the commercial aspect of infrastructure development has not been prominent in the EU- Gulf energy relations. The only

indicator that can be related to this aspect is the establishment of LNG terminals in Europe in order to receive supplies from Qatar; the construction is developing rapidly.

One of the objectives of the EU has been regulatory convergence of the respective energy markets. Echagüe (2007:12) describes the energy security strategy of the EU in relation to the GCC as "heavily based on incorporating regulatory cooperation within formal contractual agreements". However, efforts outside of the FTA negotiations have been few. The agreement has been such a prominent feature of the relationship, and it is clear that free trade demands have not been reduced in exchange for progress on energy cooperation. Part of the explanation for this has been the Gulf States reluctance to be "dictated" as to how to reform their sectors (Echagüe 2007:12). These observations resonate with the situation in many of the external energy relations of the EU; the most important producers have resisted to be influenced by many of the instruments the EU has pursued as part of its market strategy.

Considering investments, and the access for European companies in the Gulf region, Qatar has emerged as the world's largest exporter of LNG, and it has attracted large investments from several European companies (Echagüe 2007:12). European companies play an important role in the development of gas deposits in the Gulf States, including Iran (Bahgat 2006:974). As noted in the previous chapter the data on FDI are not very satisfactory for comparative purposes. However, the numbers on the Gulf region between 2007 and 2009 illustrate that the countries of the GCC and Iran are important for European investors; and it is thus the most prominent feature of the market strategy, apart from the FTA agreement.

Considering the promotion of inclusion in the WTO, the only country which has gained support from the EU in its accession negotiations is Saudi Arabia. The EU decided to give up its requirements concerning the abandonment of the dual pricing system, paving the way for membership in 2005 (Belyi 2008:211).

Political strategy

In view of infrastructure, and the political strategic nature of this aspect, the most prominent development is the priority given to the Southern Energy Corridor, which consists of making the large- scale gas reserves in the Middle East and Caspian region available to the EU. It is therefore the infrastructure project currently with most relevance for the relationship with the Gulf countries. It has been defined as a strategic objective of the EU´s external energy policy, and the goal is to promote the rule of law and the economic development in producing and transit states (Devlin and Heer 2010:5-6). As part of this corridor, the TEN- E prioritised

Nabucco project is especially prominent in the relationship with the Caspian region, and is therefore elaborated further in this chapter. In 2009 the first high level summit was put in place with the partners to discuss the development of the corridor, and the declaration shows the first formal commitments by consumer, producer and transit states, following four years of dialogue. The Southern Corridor is perceived by the EU as very important, in that it "plays an important role as a major energy infrastructure initiative contributing to diversification of energy sources and routes for EU supplies".[43] Key suppliers to the Southern Corridor from the Gulf region are Iran and Iraq. However, the recent developments of the political situation in Iran, and the EU decision to tighten its sanctions towards the country in July 2010, including new restrictions on the oil and gas sector, makes the role of Iran as a supplier rather unrealistic for the time being (Devlin and Heer 2010:6). Egypt and Qatar may also become suppliers, through interconnections. However, there are both technical and economical challenges to this scenario, for example the preference for LNG development in Qatar, as well as political challenges such as regional and ethnic clashes in Iraq and the nuclear programme of Iran (Bilgin 2010:20). In the beginning of 2011, the political situation in several Middle Eastern countries is a further challenge to the energy supply from these countries. Other than this plan, there are currently no signs of more concrete development concerning infrastructure in the EU- Gulf energy relations.

Turning to other political strategic instruments, "the region does not qualify for development aid [...] reducing the scope for conditionality to be used" (Echagüe 2007:6). The Gulf States´ level of wealth has hindered a strategy based on aid as a political link enhancing energy security (Youngs 2009a:4). However, in 2006 the EU established a financing instrument for high- income countries supporting cooperation in energy among other things (Echagüe 2007:6). This instrument is however more relevant for market creation purposes. Also, the Commission provides support to Iran and Iraq through the new Development Co-operation Instrument (DCI), which came into force in January 2007. These observations are confirmed by the data retrieved from EuropeAid. The only countries receiving any development aid from the EU are Iran and Iraq, and Iraq is receiving the bulk of these amounts. In the period between 2004 and 2009 the EU disbursed on average 24 million € per year to Iran and Iraq, a comparatively low number. Turning to the data on arms export, it is useful to have in mind the US- Saudi Arabia model; the US receives oil in exchange for arms export and provision of security (Kelly and Leland 2007:29). The SIPRI data on transfers of

[43] IP/09/716

conventional weapons paint a somewhat similar picture; from the EU member states to countries of the Gulf region there were 57 transfers between 1995 and 2010, the highest number of all the relations considered here. Keeping in mind the fact that the Gulf region mainly supplies the EU with oil, the extent to which these transfers have been used for energy purposes similar to the US- Saudi model is probably either way connected to the supply of oil and not so much gas. Yet, the score is comparatively high, and the EU has thus utilised weapons export with high intensity towards the Gulf region. It is not unthinkable that this will be continued as the possibilities for increased gas supplies from the region become more realistic. The only indicator of military assistance from the EU towards the Gulf region is the current mission in Iraq.

Turning to the more conflictive instruments of the political strategy; the sanctions towards Iran and Iraq figure prominently. As will be further discussed in the comparative chapter, the invasion of Iraq in 2003 where several member states, most notably the UK, were a part of the coalition can be viewed as an observation of the use of intervention or occupation as a conflictive instrument. However, it is very important to note that there have been large disagreements among the member states concerning the legitimacy of this invasion, among other things, and it is beyond the scope of the present analysis to go into detail about the specific motives behind the invasion. Given the rather unstable political and security environment in the Gulf, as reflected in the high conflict level, one should expect an emphasis on the protection of infrastructure as a part of an energy security strategy towards this region. However, the EU has been reluctant to use military means as a way of securing infrastructure in the Gulf (Coskun 2008:11). There have been some initiatives focusing on security in the region, but these have not been directly related to energy security or the protection of energy infrastructure (Echagüe 2007:15). A concrete example of an initiative focusing on the physical protection of infrastructure was in the Iran- Iraq war between 1980- 1988 were several EU member states took part in securing tanker routes in the Persian Gulf as a part of a NATO mission (Spiegel Online 2008). As will be noted also in the chapter on the EU-Caspian relations, this instrument has the potential of being utilised more if and when gas pipelines are developed linking the Gulf region to the EU.

Summed up, the EU has utilised the political strategy towards the Gulf region with relatively high intensity. Only the Mediterranean region displays a higher level of intensity in terms of both the cooperative as well as the more conflictive instruments.

3.2.4 What strategies dominate and with what intensity?

As has been reiterated several times in this chapter; the level of intensity with which the EU has pursued the institutionalisation and market strategies is relatively low, and most effort has been put into the free trade agreement that only has energy as a component of many. The EU has tried to utilise the same market strategy as in the Mediterranean, characterised by convergence of energy markets and regulatory harmonisation, but has not succeeded to the same degree. It has also put a lot of effort into the issue of energy infrastructure, as the description of the Southern Corridor projects show, were the EU has positioned itself as a main driver for the realisation of the project. This implies a realisation of the strategic importance of the Gulf region, yet most emphasis has been placed on the Caspian countries up to date. Contrary to the EU´s relations with the Mediterranean, it seems like the EU has tried to foster trade cooperation separately from other political interests such as energy in the Gulf region. The cooperation agreement with the GCC from 1989 states provisions on energy in very general terms and no concrete measures are put in place, and as Haghighi (2007:373) puts it; "exchange of views with respect to energy policies cannot be considered as an important undertaking from the perspective of the EU to guarantee security of energy supply". Furthermore, the GCC has a limited competence on energy matters, and this has also hampered the establishment of a broader energy dialogue compared to other regions (Echagüe 2007:13). As remarked earlier, "the nature of Gulf polities has allowed little scope for the kind of economic and social bottom- up engagement which is the EU´s signature trademark in international relations" (Echagüe 2007:19), and which has been demonstrated especially in the energy relations with the Mediterranean region. According to Echagüe (2007:12), some EU officials have suggested that the lack of a consistent involvement in the Gulf region related to energy owes to the fact that the nature of the relationship with the GCC has been rather unproblematic. In relation to Gulf countries, their willingness to support stable markets and prices has made it unnecessary to engage in a more geopolitical approach; "any deeper EU energy relations have been left to ad hoc bilateral or company- to- company arrangements" (Echagüe 2007:12).

3.3 EU- Caspian energy relations

3.3.1 Short background of the relations

After the collapse of the Soviet Union, the countries of the Caspian region[44] emerged as a first choice for the EU in order to diversify its gas sources (Locatelli 2010:963). In the beginning, the initiatives towards the region were based on a notion about future potential of export and transportation of natural gas (Youngs 2009b:100). Later, the estimates have shown that the Caspian countries have substantial gas reserves. This has enhanced the EU´s presence and deepened the energy relations, especially with Azerbaijan; "as policy- makers registered the region´s energy potential a range of new funds and strategies were introduced" (Youngs 2009b:124). The EU itself stresses the Caspian region´s role as an alternative supplier compared to the EU´s traditional suppliers such as Russia and Norway and it considers the Caspian region an important element of the EU´s supply security policy (Piebalgs speech 2007c, European Commission 2008a)

3.3.2 Characteristics of the region

The countries of the Caspian region represent the lowest score on political rights and civil liberties considered in this analysis, and with the average score of 6,5 and 6 respectively, the countries are deemed as not free by the Freedom House. Additionally, the level of corruption is very high with the average score of 2,1 when 0 represents a highly corrupt public sector. Thus, these indexes support common descriptions of the countries as autocratic regimes. Presently, the Caspian region does not supply the EU with levels of gas that is worth mentioning. According to BP (2010), only Azerbaijan and Uzbekistan deliver some 5-10 % of their total gas export to the EU. Consequently, it can only be classified as a future supplier for the EU. This view is also supported by the indicators of resource richness; the Caspian region holds significant proven reserves, on average 114,1 tcf, where Turkmenistan holds the largest bulk; 286,2 (blowing up the average estimate considerably). The current production levels also indicate that the proved reserves will last for around 100 years for the region as a whole.

[44] Azerbaijan, Kazakhstan, Turkmenistan, Uzbekistan, Iran and Russia. In this chapter, the relations with the former countries will be elaborated, as Russia will be treated separately, and Iran is treated as a part of the relations with the Gulf region. Uzbekistan is not a littoral state of the Caspian Sea, but is included because the EU has shown interest in its energy resources, and because supplies from the country have to be directed through the larger Caspian infrastructure system. Moreover, it is considered as part of the Caspian region by the EU.

Comparatively speaking, the resource richness of the Caspian region is at medium level.[45] The EU´s average share of total import to the region is comparatively low: 22,3 %, with the largest share in Azerbaijan and Kazakhstan (26,7 and 25,1 % respectively). This indicates that the EU has some foothold in the region, albeit very small compared to the other relationships in this analysis, but it is at least greater than the stake the Caspian countries have in the supply of natural gas to the EU. Therefore, it makes no sense to characterise the current relationship as interdependent as this has been defined in the analysis. Adding to this perception is the fact that there are no pipelines running from the Caspian region to the EU which are not bypassing Russia, a situation that might change if the planned Nabucco pipeline is realised in the future. Either way, the relationship is not one of interdependence; this aspect displays similarities with the relationship between the EU and the Gulf region. The level of conflict in the Caspian region is initially low, but considering the fact that the countries were a part of the USSR until 1991/92, the COW does not provide exact numbers concerning the region. Therefore, they can be considered in relation with the numbers on the USSR, as such the conflict level is somewhere between low and medium.

The Caspian region is hence a region that represents future potential for the enhancement of EU´s energy security, at the same time as the relationship between the parties scores low on the indicators of interdependence. Adding to this picture is that the countries have the comparatively worst score on the indicators on the type of the regime representing a challenge for any strategy the EU pursues and has pursued in the region.

3.3.3 What type of instruments has the EU utilised?

Even though the Caspian region is not a current supplier of natural gas to the EU this empirical analysis will show that the EU has increased its attention towards the region for energy security reasons, especially since the turn of the century. The level of intensity related to the institutionalisation strategy is relatively high on a regional level whereas the EU has pursued institutionalisation with individual countries in the region with varying degrees of intensity. The market strategy is also pursued with high intensity; the efforts have especially been aimed at regulatory harmonisation. The support for infrastructure development is the only instrument pursued with some intensity of the political strategy.

[45] An important fact concerning this picture is the disagreement within the region over how to divide the Caspian Sea i.e. sovereignty disputes (Bahgat 2006:971), which may have consequences for the pace of energy extraction and development. However, this element has not been considered in the present analysis.

Institutionalisation strategy

The EU has had a regional institutionalisation focus in the Caspian region, as can be observed with the other regions considered in this thesis. The regional instruments are mostly characterised by regular diplomacy, i.e. dialogue. Launched in 1997, the aim of the INOGATE[46] programme is to support energy cooperation between the EU and the littoral countries of the Black and Caspian Seas, including their neighbouring countries. The energy cooperation entails promoting European investment in the Caspian countries in exchange for their cooperation in supplying energy resources to the EU (Bahgat 2006:971). In 2004 the mandate and energy cooperation under INOGATE were further enhanced at an energy ministerial conference in Baku, Azerbaijan, also known as the Baku initiative (INOGATE 2011). This initiative was said to focus on developing regional energy markets and network interconnections; "the EU´s stated objective was to drive energy- sector reform in the region, around EU regulatory standards – once again using Europe´s internal market as a template to be exported into the foreign- policy domain" (Youngs 2009b:105). Hence it is an obvious example where the EU utilises market instruments conditionally to secure the reliability and availability of supplies, also applied elsewhere. Moreover, the Central Asia Strategy agreed on in 2007 proposed a new formal energy dialogue with the region, focusing on the progression towards a new transport corridor and the extension of the EU´s internal market principles (Youngs 2007:4). It also promised a doubling of aid to the region and regular foreign ministers dialogue (Youngs 2009b:106). The initiatives referred to in this paragraph, both bilateral and regional, are referred to under the Central Asia strategy framework, and are the results of an intensified political dialogue provided for by the implementation of the strategy (European Commission 2008c). European diplomatic presence in the region remained limited until the mid 2000s (Youngs 2009b:104). However, a small delegation opened in Baku in 2008 and Astana in 2009, increasing the EU´s presence in the region.

The ECT has been ratified by Kazakhstan, Turkmenistan, Uzbekistan and Azerbaijan (Hoogeveen and Perlot 2007:490). Thus, the EU is able to make use of a preferred multilateral institutional framework as a tool for ensuring energy security towards the Caspian region, which is in contrast to the other relations considered in this thesis. This is well in line with what Youngs (2007:2) describes as "extending the EU´s norms and infrastructure as the

[46] "Interstate Oil and Gas Transport to Europe": "The INOGATE Program is an international energy co-operation program between the European Union and the Partner Countries of Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Tajikistan, Turkmenistan, Ukraine and Uzbekistan". It has among its foremost principles convergence of energy markets and energy security and is funded by the EU (INOGATE 2011).

main solution to security concerns". There has been some effort from the EU for enhancing transparency in the Caspian region, most notably through the EITI with particular attention to Azerbaijan and Kazakhstan (Youngs 2007:5). Azerbaijan has reached the status of a compliant country according to the webpage of the EITI, while Kazakhstan is still a candidate country (EITI 2011b). However, the initiative does not enjoy full support from all of the member states; several countries have admitted that they have blocked proposals of exerting a more united pressure on important producers such as Russia and Algeria to sign up to the initiative, leaving the possibility of attaching conditionality to a more transparent management of energy revenues out in the cold (Youngs 2007:10-11). Hence, even though the Caspian countries have been engaged in the initiative, it does not necessarily imply that it will contribute to increased transparency and energy security if the effort is not viewed as important or relevant by the member states.

The EU prefers the same level of institutionalisation in its energy relations with the Caspian as in the Mediterranean region; its approach is a regional one, but there has been a special focus on strengthening bilateral relations with individual countries. Bilateral Partnership and Cooperation Agreements (PCA) involving all the countries were signed during the 1990s (Hoogeveen and Perlot 2007:489). The most developed bilateral relation is EU- Azerbaijan. Azerbaijan is the first Caspian state that was included in the ENP in 2004 (Youngs 2009b:104). The inclusion of Azerbaijan in the Neighbourhood policy reflected the country´s "geo- strategic location and energy resources" (Ferrero-Waldner speech 2005). The Action Plan for Azerbaijan set up under the ENP calls for reform on the political and economical level (Nuriyev 2008:163). During the negotiations with the EU over the Action Plan, Azerbaijan displayed resistance to WTO membership and market liberalisation; their position was that this was not needed because of the large energy resources they possess (Youngs 2009b:115). Thus, Azerbaijan resisted an important aspect of the EU´s strategy, as can be witnessed also in the other energy relations (Youngs 2007:10). Kazakhstan has displayed similar resistance, and the negotiations over WTO membership are elaborated under the market strategy below. Yet, a MoU on energy was signed with Azerbaijan in 2006, which underscored that the initiatives in focus were convergence with the EU internal market and transit provisions (Youngs 2009b:114,116). Consequently the EU has managed to include important elements of market creation after all in its institutional arrangements with the country. Through the relationship with the EU, Azerbaijan has asserted its commitment to its

integration into the European transport system, and focused on the development of effective energy transportation corridors (Nuriyev 2008:162).

The EU also agreed on a MoU on energy with Kazakhstan in 2006, but it was less focused on broader governance convergence than the Azeri agreement (Youngs 2009b:116). At the same time, the MoU paid attention to nuclear energy, as Kazakhstan is the third largest producer of uranium in the world,[47] making the agreement not only about oil and gas. Inclusion in the ENP was discussed but there was internal disagreement in the EU regarding whether or not to include Kazakhstan. Finally the European Parliament rejected the idea (Youngs 2009b:117). Consequently, today there are no signs of an inclusion of Kazakhstan in the ENP any time soon.

Regarding Uzbekistan the EU has shown some initiative. The PCA agreement with Uzbekistan was signed in 1996, and there have been several meetings between the EU and Uzbekistan since then. However, in 2005 Uzbek government forces opened fire against demonstrators at a rally in an Uzbek city, which led the EU to react strongly; it did not offer an energy partnership to the country and European governments withdrew their development assistance. The relationship cooled off, and the EU has not had a very notable influence in the country since then (Youngs 2009b:121-122). This might be changing, because as of late, in January 2011 the EU managed to agree on a MoU on energy with this country as well (EU and Uzbekistan 2011). In comparison to the other MoUs concluded with the Caspian countries, this one is much more about governance and renewable energy than security of supply.

The Turkmen have traditionally not been that interested in cooperation with the EU, but even more interested in taking care of its relations with Moscow (Youngs 2009b:122). The country has problems with transparency; even the size of its energy reserves were kept a secret for a long while after independence, making any strategy towards the country difficult to carve out. A PCA was signed in 1998, but it has never been ratified by several member states of the EU as well as the European Parliament (Youngs 2009b:123). A new regime came into power in Turkmenistan in 2007, which opened up the country to the outside world a bit more, and among other things, created a new state agency on the management of hydrocarbon resources. The EU offered Turkmenistan a MoU on energy, while the Parliament was still blocking the PCA (Youngs 2009b:124). The MoU was concluded in 2008, but it is a very short one compared to the other bilateral relations. In the same year, substantial gas reserves

[47] IP/06/1679

were discovered in Turkmenistan, and the EUs efforts have intensified towards the country. These efforts are especially related to the Nabucco project, as will be elaborated below.

The EU´s institutional strategy towards the Caspian region is thus characterised by relatively high intensity with both a bilateral and regional focus. The energy partnerships agreed on with Kazakhstan and Azerbaijan reflect, according to Youngs (2007:5), a "familiar EU- style approach of attempting to use contractual agreements to attain adherence to rules-based behaviour, market regulations, transport and safety". This resonates with the argument which has been repeated elsewhere, namely that the EU is to a large degree including market creation measures in its institutionalising frameworks. Some commentators point to a possible conflict in the bilateral- regional approach, which is relevant for all the regions considered as producers. On the one hand promoting regionalism can foster more cooperation within the region, and thus favour a region- to- region cooperation (and for example make the integration of energy markets easier). On the other hand, bilateral policies can drive wedges between the countries. An example of this kind can be found in the rather disappointed Kazakh response to the inclusion of Azerbaijan in the ENP, resulting in that the countries were split between different financing instruments of the EU (Youngs 2009b:107).

Market strategy

In view of market creation, there is currently no infrastructure that has been developed solely as a commercial activity without the political and financial support of the Commission. Concerning investments, as the Caspian countries have opened up for foreign investment slowly over time, the energy sectors in the countries have experienced a high inflow of capital. Major European countries, such as BP and Total Fina Elf have invested in the Azerbaijani energy sector, and there is stronger presence in the country of some EU member states; for example, the biggest European investor in the region is the UK (Youngs 2009b:111). Additionally, "the EU attaches much importance to the creation of a liberal business climate in Azerbaijan" (Nuriyev 2008:161-162). In 2002 the EU became the biggest source of FDI into Kazakhstan, mostly in oil related projects, from member states such as the Netherlands, UK and Italy (Youngs 2009b:117). This fact is confirmed by the FDI numbers collected; in 2007 the EU´s share of the total amount of foreign investment in the country was around 54 %. A similar figure characterises the EU´s FDI flows to Azerbaijan; in 2008 the EU represented around 50 % of the total amount of FDI in the country. Regarding lending and funding, EBRD and EIB have released large funds for energy-related infrastructure projects

(Youngs 2009b:105), as well as for energy reforms. Moreover, the EU has been participating in the development of the energy sector in the countries, through different financing instruments such the TACIS programme[48] since the 1990s, INOGATE (pipeline development) and TRICECA (infrastructure) established in 1993[49] (Youngs 2009b:105). Moreover, in 2010 the Investment Facility for Central Asia was established, allocating 20 million € for energy, transport networks and market integration in Central Asia, thus including the countries of the Caspian region considered here (European Commission 2010d).

The issue of free trade is being negotiated under the dialogue set up under the Central Asia Strategy, but a formal FTA has not yet been concluded. The countries of Central Asia are all beneficiaries of the EU´s Generalised System of Preferences, which is a "trade arrangement through which the EU provides preferential access to the EU market to 176 developing countries and territories, in the form of reduced tariffs for their goods when entering the EU market" (European Commission 2011d). There are no requirements of granting the EU equal access in the beneficiaries´ markets. The EU has promoted in this region, as well as in the Mediterranean region, plans to move towards sub- regional energy markets, which aims at supporting the convergence of these markets with the EU internal market (Youngs 2007:3). The most prominent of these was launched in 2008; the Black Sea synergy. It is an important step in regulatory harmonisation, a central instrument for market creation.

Concerning the EU´s support for the inclusion of the Caspian countries in the WTO, it is first and foremost providing financial assistance to Azerbaijan in order for the country to prepare for membership. Similarly, the EU supports the accession negotiations of the other countries of the Caspian region through the Central Asia Strategy. Kazakhstan is the most developed country in relation to membership, whereas Uzbekistan is in the early stages and Turkmenistan not yet has applied for accession (European Commission 2011e). Hence, the Caspian region is the only producer region towards which the EU has publicly and concretely supported the WTO with all of the countries. In sum, the EU has put a lot of weight on the market strategy in its energy relations with the Caspian region.

[48] "Technical Aid to the Commonwealth of Independent States", was a grant based technical aid program that was implemented in order to help the states of the CIS countries transform their economies to become more market oriented. It was later substituted by Europe Aid, as well as the financial instrument under the ENP elaborated in the chapter on the Mediterranean region (Wikipedia. org 22.03.2011)

[49] Transport Corridor to Connect Europe via the Caucasus to Asia (Youngs 2009b: 104). It is an interregional program of technical assistance which aims at the development of a transport corridor from Europe, crossing the Black Sea, Caucasus, and the Caspian Sea and reaching the Central Asian countries. It is financed by the European Union (TRICECA 2010).

Political strategy

The most prominent political strategic instrument the EU has pursued in the Caspian region is infrastructure development. Most notably is the Nabucco pipeline, which is planned to deliver gas from the Caspian and Middle East regions, running through Turkey and then on to Bulgaria, Romania and Hungary before connecting to a major gas hub in Austria, completely bypassing Russia (Erdogdu 2010:2936). This pipeline project is the most central one under the Southern Corridor plan[50], elaborated in the Gulf chapter, and it has priority status under the TEN- E guidelines, implying political and financial support from the EU. Potentially then, the pipeline serves as a strategic alternative to Russia, and thus underscores the increasingly strategic importance of Azerbaijan for European energy security (Nuriyev 2008:159). The EU has on several occasions underscored the prominence of the project: "Nabucco concretely – in all senses – contributes to our energy security" (Piebalgs Speech 2006).

The first talks of a pipeline started in 2002 between gas companies in the aforementioned transit countries, as well as RWE of Germany. The European Commission entered into a grant agreement in 2003, and thus materialised the EU´s commitment to the project with a promise of covering 50 % of the estimated total costs of a feasibility study of the planned pipeline (Erdogdu 2010:2939). The development of the pipeline gained more impetus in 2007, partly because of increased pressure from the EU; Javier Solana, former external relations commissioner, started negotiations with the countries[51] of the Caspian region on the Nabucco project (Youngs 2009b:109-110, Norling 2008:127). The EU also appointed a special co-ordinator for Nabucco, as the only gas project among the prioritised energy projects of the EU.[52] In 2009 an intergovernmental agreement was agreed on between the relevant transit countries, improving the project´s chances of getting realised. Additionally, during 2008 the governments of Azerbaijan and Turkmenistan took to a more favourable position towards the pipeline, and substantial gas reserves were discovered in Turkmenistan, as mentioned above (Erdogdu 2010:2940). Currently, the final investment decision is expected to take place during 2011, building in 2012 and start up in 2015, depending on the timing of the supplies (European Energy Review 2010).

[50] Other pipelines, such as the Turkey- Greece pipeline, and the BTE pipeline (from Azerbaijan via Georgia and Turkey) are part of several linkages that are seen as potential transportation routes for gas from the Caspian region, and have the potential of becoming supply pipelines for the Nabucco. They are therefore also vital in the Southern Corridor Plan (Baran 2008:156, Youngs 2009b:108, Larsson 2008:30).
[51] For example with Turkmenistan (Reuters 2007)
[52] IP/07/1338

Contributing to this political strategic nature of the Nabucco project are the recent developments concerning supply contracts between the EU and individual countries of the Caspian region. Early in 2011 the Commission´s president Barroso signed a deal with Azerbaijan to bring ten million cm of gas per year to Europe, which is the first written commitment of Azerbaijan to supply gas to Europe (Euractiv 2010[53]). In return for long term supplies of gas, Azerbaijan gets access to the European market, a classic example of the EU using its market position in its relations with producer countries. The deal is according to the EU an "important step in the realisation of the Southern Gas Corridor", and vital for the Nabucco project.[54] Azerbaijan can also become (and is currently) an important transportation hub for energy resources between the Southern Caucasus, Central Asian region and Europe. If the Trans-Caspian[55] pipeline is realised this importance will only increase. Earlier, in 2008 the EU struck a deal with Turkmenistan that set up provision of 10 million cm of gas per year from 2009. Turkmenistan´s role in relation to the development of a Trans- Caspian pipeline is also reiterated in several communications from the EU.[56]

However, the realisation of Nabucco has not been shy of problems. The interest and support towards the project has been different from member state to member state; so far, important countries such as Germany and France have not shown much interest. Other major issues are investments and cost feasibility; it has recently been announced that Nabucco will cost more and take longer than estimated, and there is also uncertainty about where the gas is going to come from (Euractiv 2010).

The uncertainty associated with the project is not least because of Russia´s attempts to impede the construction by launching the competitor pipeline South Stream, but also by tying up Turkmenistan and other Caspian countries´ gas reserves[57] and entering into agreements with Central European countries committing them to the South Stream pipeline (Norling 2008:131). The South Stream is planned from Russia to South East Europe and Italy via the Black Sea. This uncertainty has led investors to be apprehensive, a situation that does not help to speed up the pace of the process (Norling 2008:140). Other projects may also compete for

[53] See also : IP/11/30
[54] IP/11/30
[55] The Trans- Caspian pipeline is envisaged as a project bringing gas from Kazakhstan, Turkmenistan and (Iran) to Azerbaijan, which can then be connected to the BTE from there. The pipeline will thus eventually be built on the seabed of the Caspian Sea. This has two implications: increased supply from the Caspian region as a whole, and increasing importance of Azerbaijan as a gas hub in the Caspian region (Wikipedia.org 28.04.2011)
[56] IP/08/799, IP/07/1714
[57] Russia signed gas purchase agreements with Central Asian countries in 2007, granting substantial price increases in exchange for control of most of the gas volumes they export (Economides and Wood cited in Erdogdu 2010:2942).

the supply sources in the Caspian region (European energy review 2010). For Nabucco to be realised, there initially needs to be gas supply from Azerbaijan, therefore, the strategic position of this country in the EU´s external energy security policy cannot be stressed enough. Yet, in order to remain feasible the pipeline requires additional supplies from Turkmenistan and Iran (Erdogdu 2010:2940-2941). The case of Turkmenistan may show signs of improvement, as mentioned above, but as discussed in the Gulf chapter, the Iranian case represents a major challenge for the European Union and the other developers of Nabucco.

Related to this are investment risks, as well as financing troubles. Although the EIB and EBRD have committed themselves to provide financial backing in 2009, this was conditioned on "solid project financing" from other parties as well (Erdogdu 2010:2941). Therefore, it remains uncertain whether or not the ambitious project will be realised as planned. If it is realised, the EU have succeeded with its most ambitious politically strategic infrastructure project towards a major producer region, as well as contributed to the diversification of supply by reducing dependence on Russia. A failure will be a major blow to the EU´s aspiration of projecting firmness and ability to act in the name of energy security, and it will have important implications for the ability to diversify.

Regarding other political strategic instruments, the EU´s aid to the region is increasingly related to energy security, according to Youngs (2009b:105). For the period 2002- 04 the Commission allocated 150 million Euros in aid assistance to the Caspian region. Yet compared to other regions, Youngs (2009b:104-105) argues that the amount of aid was modest. This argument is confirmed when the data I have collected from EuropeAid is taken into account. In the period between 2004 and 2009 the EU disbursed on a yearly basis on average 27 million € to the Caspian region as a whole, a comparatively low amount. The same picture emerges regarding weapon export; only 4 transfers were detected by the SIPRI in the period between 1995 and 2010, and Azerbaijan, Kazakhstan and Turkmenistan were the recipients. Additionally, the EU has made use of its stability instrument towards Kazakhstan. Compared to the Mediterranean and Gulf this illustrates a very low intensity regarding political cooperative instruments, even though the Nabucco project features prominently. Moreover, none of the conflictive instruments are detected in the EU´s political strategy towards the Caspian region. It is possible to imagine that protection of infrastructure may become relevant if the Nabucco is realised in the future, but for the time being it is feasible to conclude that the political strategy of the EU towards the Caspian region has not been very

prominent with the notable exception of Nabucco, at least as this has been operationalised in the analysis.

3.3.4 What strategies dominate and with what intensity?

Generally the EU has concentrated on a few regional initiatives as well as separate institutionalisation efforts for each of the countries considered. The level of intensity related to the institutionalisation strategy has increased significantly over the last years, and the Caspian region emerges as the producer the EU has devoted most attention to among the current non- suppliers of natural gas to the European market i.e. the Gulf region. Again, the institutional frameworks contain important market provisions. The market strategy is also very prominent, as can be observed in relation to investment and financial instruments, as well as free trade arrangements and support for inclusion in the WTO. The only political strategic instrument the EU has put weight onto is the Nabucco. Through this, the EU wishes to gain access to Caspian supplies and as such diversify its supply alternatives, and it has also concluded important supply deals. A reservation against this diversification potential lies in the position of Russia in the region, which is elaborated in the comparative chapter, as well as the actual viability of both the infrastructure and possibilities for actual extraction of resources in the region. Apart from this however, the EU has not made use of the political strategic instruments at its disposal to any considerable degree.

3.4 EU- Norway energy relations

3.4.1 Short background of the relations

Norway is not a member state of the EU after the Norwegians said no to accession twice, in the referenda of 1972 and 1994. However, Norway was one of the founders of the European Free Trade Area (EFTA) in 1960. When the EU started working on the internal market in the middle of the 1980s, it became evident for the members of the EFTA that they needed a strong association to this development. In 1989 an economic cooperation between the EU and the EFTA countries was suggested, which Norway and the other members of EFTA accepted. The result was the EEA agreement, which entered into force in 1994 (Claes and Førland 2004:212). The EEA agreement makes Norway an integral part of the internal market. This implies that the relations with the EU on energy issues are conditioned by this association; Norway has to adapt to the developments of the EU´s internal market for gas and with it the liberalisation of the gas market. Other areas of integration include competition, trade and research, all relevant aspects for energy policy. Consequently, the relations with Norway are special and considerably different from the starting point; one can view the relationship as the ultimate realisation of the EU´s market and institutionalisation strategy. As the EU itself puts it; "Norway is as integrated into EU structures as it is possible to be without actually being a member state" (Barroso Speech 2008). Still, the relationship is not only characterised by agreement, as will be elaborated below.

3.4.2 Characteristics of the country

Norway has the highest score possible on the Freedom House index, indicating that the political rights and civil liberties of the people are well attended to, and the regime is deemed as free. Regarding corruption in the public sector, Norway has a score of 8,6, the highest of the producers considered in this analysis, and thus has a relatively clean public sector according to Transparency International.

The gas supplies from Norway constitute around 25 % of the EU´s total import of natural gas, and it is therefore the second largest supplier to the EU. Norway also holds considerable proved gas reserves (72,3 Tcf), Comparatively speaking, this number is relatively low, and the country is not part of the current top ten list of proven natural gas

reserves holders.[58] Additionally, the R/P ratio from 2009 (19,8) indicates that the current production is quite high, and that the proved reserves that Norway holds not necessarily will last for a very long time, given the current production rate. This situation may of course change depending on the discovery of new reserves, as well as changes in production capacity. Overall the resource richness of Norway is at medium level. The EU holds a share of 66,8 % of Norway´s total import, underscoring the importance of the EU for Norwegian export, as well as the tight integration of the parties. Seen in relation to the level of Norwegian natural gas export to the European market the parties can be characterised as interdependent. Norway is connected to the EU via pipelines first and foremost to the UK and Germany, and there is therefore a considerable level of structural dependence between the parties. Norway displays a low conflict level according to the COW datasets.

Even though the estimate of proved reserves and the R/P ratio for Norway are smaller than the other producers considered in this analysis, this does not take away the fact that Norway currently is an important supplier of gas to the EU and in all likelihood will continue to be this. After all, Norway scores favourably on all of the indicators included in this analysis in order to be a stable and reliable supplier of gas to the EU, and Norway is also very dependent on the European market.

3.4.3 What type of instruments has the EU utilised?

The EU has pursued the institutionalisation and market strategy with high intensity towards Norway, owing to the strong association through the EEA agreement elaborated below. The politically strategic instruments are not present at all; the implications of this are further discussed in the comparative chapter.

Institutionalisation strategy

The EEA agreement is a dynamic agreement, basically entailing inclusion of new EU *acquis* although it includes a reservation right (Vahl 2005:7). It thus emerges as the most comprehensive and complex agreement of any EU association agreements (Vahl 2005:7). In addition to being granted access to the internal market, the EEA agreement also includes the four freedoms; freedom of movement, persons, goods, services and capital. Norway is also part of the Schengen area. An additional element is that at least for the time being, Norway is

[58] It ranks as number 17: http://en.wikipedia.org/wiki/List_of_countries_by_natural_gas_proven_reserves (25.04.2011).

not seeking membership in the EU, therefore, the agreement is "thus to be regarded as a permanent alternative to membership" (Vahl 2005: 9).

In 2005, the EU- Norway energy dialogue was established, to further enhance the energy cooperation between the two parties. The energy minister of Norway now meets the energy commissioner on a yearly basis, with one of the focus areas being security of supply. The energy dialogue consists of consultations on key energy issues, and the EU has reiterated that Norway can play a part in the completion of the internal energy market,[59] as well as in the development of an energy policy for Europe.[60] The objective is to coordinate energy policies, as well as to exchange knowledge and updates on research and technological development as well as relations with other producer countries or regions.[61] An EC/EU- Norway Energy Cooperation Group has been established under the auspices of the energy dialogue as a special forum, however, there is not much public information on the discussions and the work of this group. The main task of the group is to discuss energy issues and present suggestions before meetings at ministerial level (Norway Mission to the EU 2009a). With the energy dialogue the energy relationship has been lifted to a more high- level form of collaboration: "from a purely economic activity to the strategic and political domains" (Godzimirski 2008:157). Yet, it is mainly a forum for discussion and exchange of views, and compared to the energy dialogue with Russia, it is much less encompassing and pursued with less intensity and importance. This will become evident in the next chapter.

Furthermore, Norway became an observer in the Energy Community in 2006 right after the Energy Community Treaty was ratified (European Commission 2011f). The EU views the observer status as the first step to an eventual membership; the community treaty is intended to be the "legal vehicle" for the establishment of a wider energy market in Europe.[62] Another multilateral agreement the EU has pursued towards Norway, as towards the majority of the producers considered in this thesis, is the European Charter Treaty (ECT). However, Norway has not yet ratified the treaty, thus rejecting an important instrument for the EU. Still, the EU has not exerted the same pressure on Norway for ratifying the agreement as it has towards Russia, viewed in the following chapter (Grigoriev and Belova 2009:79).

The Northern Dimension is the EU´s policy framework for the northern non- EU members, and as such an important regional institutional framework for Norway. It was

[59] IP/06/1199
[60] IP/05/856
[61] IP/09/849
[62] IP/06/1579

established in 1999, and the EU stated that "the Northern Dimension represents one essential frontier for security of supply due to the importance of Russian and Norwegian energy supplies" (Commission cited in Godzimirski 2008:154). However, Vahl (2005:3) argues that the Northern Dimension from 2004 became a regional element of the EU- Russia relations, thus downplaying this policy as a relevant instrument in the EU´s relations with Norway. Additionally, in the first period of the ND, there was relatively little focus on energy (Øverland 2008:143). The area covered by the ND policy framework includes important energy sources as well as transportation routes (Aalto et al 2008:4), as such, the energy element should be a vital part of the ND. Nevertheless, in a study of the EU´s interest in the Arctic, Offerdal (2010:34) notes that in formal EU policy there has been little mention of the Norwegian Arctic or Barents energy resources within the ND framework. As a result, even though there is awareness about the importance of energy in this framework, this has not resulted in any concrete policy measures from the EU.

These observations are also noted with regard to another element that is increasingly becoming a part of the energy relations with Norway; the Arctic – and possible future extraction of energy in this area. Analysts have pointed to the increased European interest in the Arctic as an expression of mainly energy security concerns (as well as climate change concerns) (Grindheim 2009, Airoldi 2008, Offerdal 2010), and in this, the relationship with Norway has been highlighted as important (Barroso speech 2008). In terms of diversification, the EU can gain on keeping its relationship with Norway warm when it comes to future developments in the Arctic. Russia´s role in this area cannot be underestimated; therefore, if the EU wishes to reduce its dependence on Russian gas, it does itself a favour by contributing and cooperating to Norwegian development in the region. It seems like the EU is beginning to realise this fact, and the High North or the Arctic is increasingly being put into discussions with Norway (Offerdal 2010). The Commission is a member of the Barents Euro- Arctic council, but the request to become an observer in the Arctic Council was rejected in 2009 (Grindheim 2009:14). During 2008, EU officials travelled numerous times to Norway, to discuss High North issues, and visiting important sites for Norwegian energy production. However, as the analysis of Offerdal (2010) illustrates, the Commission has not made any attempts to influence Norwegian High North energy policy and the interest has not yet resulted in any concrete actions or initiatives from the EU´s side.

Concerning transparency in the energy sector, which the EU has promoted elsewhere such as in Azerbaijan and Kazakhstan, Norway has participated in the EITI initiative since

2003, and in 2011 it was approved as the first OECD- country to take on full membership (Norwegian Government 2011).

Norway for its part has agreed on many of the initiatives, and has not demonstrated the same resistance as has been shown in the analysis of the other relations. Nevertheless, it has rejected a vital instrument, both for institutionalisation and market creation purposes, namely the ECT. Additionally, it has not agreed on all of the directives without any objections, elaborated below. Compared to the other relations, the EU has pursued relatively few instruments of the institutionalisation strategy besides the EEA agreement with high intensity. However, the very encompassing nature of the agreement implies that the EU has put a lot of weight onto its institutionalisation strategy towards Norway, not least because energy is a vital part of the agreement and because it infringes so much on the sovereignty of the producer in this area. As such the EU has pursued the institutionalisation strategy with high intensity towards Norway.

Market strategy

Gas infrastructure projects from Norway, such as the one from the largest gas fields supplying mainly the UK, the Langeled gas pipeline, was realised by a consortium of Norwegian and EU oil companies and inaugurated in 2007. However, the EU is in a very favourable position; there are no real competitors for Norwegian gas. Thus, the interdependence issue plays a part: if Norway wants to sell its gas somewhere, it has to make gas pipelines to Europe, and the infrastructure that is created need not be the result of any conscious or prioritised effort from the EU, as is the case with the Nabucco project. European companies might participate in the development of projects, but it is not supported financially and politically by the Commission through the TEN- E guidelines such as other projects mentioned in the Caspian, Gulf and Mediterranean chapters. As such, the pipelines are therefore to be considered as market creation efforts from the European companies, and the EU has not made use of its political strategic instruments with regard to infrastructure.

The level of FDI from the EU between 2007 and 2009 illustrates the close relationship between the EU and Norway. In fact, Norway received the comparatively largest amount of FDI in this period.[63] In relation to the establishment of a FTA, this element is handled through the EFTA that was the basis for the EEA agreement as referred to above. As such, the free trade element is much more developed with Norway than with other producers, were the free

[63] This number is comparable only to Russia, some of the countries in the Mediterranean, as well as Iran and the GCC.

trade negotiations have been going on for a long time without conclusion, most notably with the Mediterranean region, Russia and the Gulf region. Additionally, Norway is a member of the WTO, in contrast to the majority of the producers considered here, and is thus a part of an important pillar of EU trade policy.

As mentioned, through the EEA agreement the EU has secured that Norway has to adapt to changes in the internal market; and the bilateral relations are thus shaped by its principles which have been shown to "leak out" into all of the relations considered in this analysis. The difference is the degree to which Norway as an important supplier of natural gas has to adapt to the principles; all areas concerning energy are included. However, this arrangement does not necessarily imply that there is agreement between Norway and the EU on the issues that emerge in the dynamism of the EEA agreement at all times. Negotiations between the parties frequently show differing opinions, and the directives of the internal market often encounter resistance within different segments of the Norwegian society. A controversial issue in the relation has been the Gas Negotiation Committee consisting of Statoil, Norsk Hydro and Saga Petroleum (established in 1986), which was the umbrella structure under which Norwegian gas contracts with Europe were negotiated.[64] However, after several incidents concerning supply contracts to the European market the EU viewed this as a cartel with possible detrimental effects for the competition in the market; the Committee was accused of keeping the gas prices at an unrealistically high level. Ultimately this resulted in a legal conflict, where the EU regarded the activity of the committee as a violation of the EEA agreement. In the end, the Norwegian authorities dissolved the Committee, yet the conflict illustrates the fact that the relationship with Norway has not always been characterised by harmony, nor has Norway accepted all of the directives without objection (Austvik and Claes 2011:27-31).

Moreover, concerning the gas directive(s)[65], a lot of discussion between the parties took place, and the result (adoption and implementation of the third gas directive in Norway) implies that Norway "loses" an important tool in its negotiations with the EU, namely long-term contracts (normally 20 years). The adoption agreement between the EU and Norway stated however that old agreements can run out the contractual period, and that Statoil and

[64] IP/02/1084

[65] The gas directives have been essential in the development of the internal market of the EU, as mentioned in the introductory chapter of this thesis. Three directives were proposed during the 1990s and they deal with different aspects of the gas market. The third directive aims at securing third- party access to the pipeline system and unbundling of the transmission system operators. The intention is to create easy and cheaper access to pipelines for producer and consumers (Europaveien 2009).

Norsk Hydro commits themselves to supply more gas to the market (Europaveien 2009). Thus, the EU has succeeded in its early efforts to liberalise the market, and gain more power on the hands of the consumers, an act that also affects one of its most important suppliers of natural gas by the nature of the EEA agreement. Yet, since the third gas directive primarily has to do with the relationship between transporters and end- users of gas, it does not affect Norway as directly as does the license directive. The license directive was adopted in order to secure non- discriminating allocation of oil and gas licenses (Claes and Eikeland 1999:153-154). Norwegian authorities reacted quite strongly against this directive; traditionally the state had been active in the petroleum operations on the Norwegian continental shelf by securing long- term production through the allocation of licences. A common understanding was that it would not be favourable to Norwegian interests. As such, Norway expressed that they did not see the need for such a directive (Austvik and Claes 2011:18,20). Nevertheless, the directive was adopted in the end, and the Norwegians had been able to influence the design of it. Generally this example illustrates that the EU´s influence is quite strong through the EEA agreement, even though the changes and "adaptation" in the Norwegian energy sector and policy might have happened either way (Claes and Eikeland 1999:151). Furthermore, even though conflicts have arisen, Norway has not made use of the reservation right inherent in the agreement[66]. Either way, the establishment of the EEA agreement and the implications of this for Norwegian gas export to the EU emerge as the most extreme case of internal policy leaking out, and the EEA represents a specific way of realising the goal of liberalisation with third parties. Compared to the other relations, the EU does not have a similar instrument when dealing with producers such as Russia and Algeria (Austvik and Claes 2011:30). The market strategy is therefore pursued with high intensity in the energy relations with Norway.

Political strategy

The EU has engaged itself through political strategic instruments with very little intensity towards Norway. Apart from some arms transfers between EU member states and Norway between 1995 and 2000, none of the other instruments are utilised. Aid is not a relevant instrument, given Norway´s economy and capacity, as well as its association through the EFTA and EEA. Additionally, the cooperation in the foreign policy realm between the parties

[66] In May 2011 there are signals pointing to a possible utilisation of the reservation right in the near future: The Norwegian government will most likely make use of its reservation right for the first time against the Postal directive.

is also strong, and Norway regularly supports the EU´s initiatives that have been identified as political strategic instruments (Norway Mission to the EU 2009b).

3.4.4 What strategies dominate and with what intensity?

As demonstrated by the foregoing paragraphs the energy security strategies of the EU towards Norway are influenced by the strong relationship that exists between the two parties on all the other areas as well. This implies that the relationship has been characterised by the EU following the market and institutionalisation strategies with high intensity. Market measures are almost a given, since Norway is a part of the internal market for energy, and thus has to follow new provisions constantly. Even though the interests of the two parties are different in that they represent consumer and producer, there seems to be rather mutual interests in expanding the relationship, as well as agreement on the energy security principles of the EU. In this sense, this relationship represents almost the only one where the EU has achieved "acceptance" from the producer on (almost) all of the initiatives suggested. An important exception is of course the ECT, and Norway has shown considerable resistance towards some of the provisions affecting them through the EEA. On the other hand, the EU has not undertaken so many concrete initiatives that have been observed in the other relations. A reason for this rather passive approach might be a great belief in the trustworthiness of Norway when it comes to supply of energy, as well as a good environment for investment, which makes the reliability of Norway as something that is almost taken for granted in the EU (Offerdal 2010:39). As a consequence, the importance of Norway as an energy supplier is often mentioned in official policy, but not necessarily in relation to the notion of energy security (Offerdal 2010:35).

As Offerdal (2010:39) argues, the interest for example in the High North might increase if there are indications that Norway no longer can keep up the expected pace of gas exports, which is in fact the case in the beginning of 2011. Thus, the future relationship between the two parties might be characterised by more engagement from the European side, as well as possibly more "strategic positioning" and the use of political strategic instruments witnessed in the other relations.

3.5 EU- Russia energy relations

3.5.1 Short background of the relations

Russia is by far the most important external supplier of natural gas to the EU, and the relationship has been subject to the lion´s share of both analytical attention and debate within the EU. Energy has been a very important part of the relationship since the end of the Cold War and the energy relations has become more institutionalised on several dimensions since the 1990s. The energy dialogue established in 2000 is the first one of its kind with an external energy producer (Cleutinx and Piper 2008:25). In the last years, the relationship has been influenced by events such as the Russian- Ukrainian gas crises in 2006 and 2009. Some say that energy defines the relationship between the EU and Russia (Barysch 2008:2-3), while others opine that the relationship with Russia is fundamental for the creation of the external energy policy of the EU and why it has emerged at the forefront of the European agenda in the last decade, as demonstrated in the introductory chapter (Geden et al. 2006:16). Given the importance of Russia as a supplier of gas to the EU it is no surprise that the EU has pursued many of the instruments at its disposal with high intensity.

3.5.2 Characteristics of the country

According to the Freedom House index, Russia is a not free regime with the score of 6 and 7 on political rights and civil liberties respectively. Furthermore, the level of corruption in the public sector is very high (2,1). Russia held a share of 40,6 % of the EU´s total import of natural gas in 2007, making Russia the largest supplier of gas to the EU. Considering also the indicators of resource richness, Russia has the largest proved reserves in the world (1567,1 tcf), and may thus be expected to hold this role as a vital supplier for the EU for a long time. The R/P ratio is however smaller than for example Iran and Qatar, which hold the second and third largest reserves in the world respectively, something that may be related to the status of the energy sector in Russia which has been a focus area for the EU´s initiatives towards Russia. The EU holds almost a 50 % share of the total import of goods to Russia, signifying that Russia is reasonably dependent on the EU as a trading partner. Russia has also the most developed and extensive pipeline system towards the EU, and plans for several new pipelines, such as the Nord Stream, South Stream and White Stream have been announced. The EU-Russia relationship is thus characterised by a high level of interdependence. When the

numbers of the USSR is included Russia displays a medium conflict level according to the COW datasets.

It is therefore apparent that Russia is the most important supplier to the EU. This image is of course dependent on many factors, and the situation might change. For example, as several commentators have pointed to, the future management of the Russian energy sector will be important, that is to what extent it is able to restructure and invest in new production capacity in order to improve its supply capacity. Yet, this does not decrease the current importance of Russia to the EU, something that is also illustrated by the weight the EU has put on the different strategies towards Russia.

3.5.3 What type of instruments has the EU utilised?

The EU has pursued the market and institutionalisation strategy towards Russia with high intensity. As will be evident from the other empirical chapters, many of the institutionalisation instruments contain provisions relevant for market creation, so the market strategy is pursued through two channels. Some of the cooperative instruments of the political strategy can be identified, but to a lot lesser degree. Generally, Russia is the producer by far receiving most attention in terms of energy security, and at the same time, it is the producer which has showed the most resistance towards many of the EU´s instruments. This will become evident in the following.

Institutionalisation strategy

The relationship with Russia is highly institutionalised, reflected in all the bodies and agreements managing the relations. In fact, "the EU does not have such a dense network of contacts, formats and agreements with any other partner in the world" (Leonard and Popescu 2007:25). Additionally, after having read energy strategy documents from the EU the last decade, as well as press releases concerning energy, the relationship with Russia emerges as clearly high on the EU´s agenda.

The Energy Charter process in the early 1990s was the first institutionalisation instrument in the energy relations between Russia and the EU (Romanova 2009:120). The process was put in place to ensure stability of the energy supply to the European Communities. It was also meant to foster transformation of the energy sector and the whole economic and political system of post- Soviet countries (Romanova 2009:120-121). The treaty (ECT), established in 1994 and anticipated as a multilateral legal framework, "was

structured into "four pillars": trade, investments, transit and energy efficiency" (Romanova 2009:121). Through its transit provisions it clearly challenges Gazprom´s transit monopoly and Russia has not been willing to ratify the treaty seemingly because of the possible loss of power for the energy sector (Haghighi 2007:349). This can be seen in relation to the other producers that have resisted the ECT as well; both Norway and Algeria have gas sectors largely dominated by state- owned companies, and as such, this motive might be part of the rejection also here[67]. A more sober analysis on the Russian position points to the fact that the treaty clearly favours the interests of consumers. Additionally, nuclear energy was exempt from the treaty after pressure from France, thereby the EU lost potential support from the nuclear sector in Russia, an important lobby which could have worked in favour of ratification (Romanova 2009:121-122). The Russian energy strategy in general represents the main challenge to the ratification of the ECT; Russia prefers asset swapping[68] and vertical integration, two notions not compatible with the principles of the ECT (Locatelli 2010:963).

The Commission has repeatedly underscored that the Energy Dialogue (elaborated below) should not be considered a substitute for the ECT, thus showing that the EU considers the ECT as a favourable instrument in securing energy supply from Russia. This is illustrated by numerous attempts to get Russia to ratify, for example during the 2006 G8 meeting on energy security, without any luck. Russia followed the agreement provisionally until 2009, as long as the provisions were compatible with its own laws and regulations (Konoplyanik 2008:104). In 2009 however, Russia announced that it would never become a contracting party to the current ECT, and hence, this provisional association was terminated (Practical Law Company 2009). The parties are seemingly as far from each other as ever on the content and application of the ECT, consequently the EU has not been able to take advantage of the provisions as an instrument to enhance its energy security.

A Partnership and Cooperation Agreement (PCA), was signed first in 1994, and came into force in 1997 with the objectives of establishing a free trade area, facilitate Russia´s entry into the WTO as well as to focus on human rights and economic reform (Haghighi 2007:343). According to Haghighi (2007:343-344) the energy provisions of the PCA sought to "strike a balance between security of energy supply and assisting Russia in overcoming its shortages in the energy sector". The first PCA had a time frame of 10 years, thus in 2006 the EU prepared to negotiate a new PCA. Russia did not want to be included in the newly established

[67] Although this is not confirmed by the present analysis

[68] The strategy of asset swapping or exchange entails "making Russian upstream access for international firms conditional on Russian companies being able to invest downstream in Europe" (Locatelli 2010:963).

Neighbourhood policy, and the EU thus missed out on an important instrument utilised both towards the Caspian and Mediterranean regions. Therefore, the EU sought to make up the new PCA with the ENP Action plan as a model incorporating as well the basic principles of the ECT in a new energy chapter. Youngs (2009b:82-83) argues that the EU sought to use access to the EU´s internal energy market as a negotiating tool, in order to get Russia to sign up on principles similar to the ones in the ECT. As a result, the EU tried to make use of the ECT "through the back door", but Russia refused to discuss Gazprom´s market position and third party access to networks, and negotiations halted twice (Finon and Locatelli 2008:436). A new PCA agreement is currently not yet concluded.

In the beginning of the EU- Russia energy dialogue, the EU regarded it as an adequate forum for promoting its investment interests in the Russian energy sector, and for paving the way for European companies in upstream activity in Russia. Further on as well, the issue of investment was important (Romanova 2009:136). Development of infrastructure has been another predominant issue within the dialogue, and Romanova (2009:139) demonstrates that there have been several issues where the parties have not reached agreement, such as third-party access to pipelines. The actual participation[69] in the energy sector is left to private companies; the dialogue is primarily about creating a forum for defining common interests between the political institutions (Haghighi 2007:345). As such, it is a common instrument establishing dialogue and negotiations between the parties. The EU- Russian Permanent Cooperation Council on energy was established within the energy dialogue in 2005, and with it, the dialogue became more structured and included more interlocutors such as business and political authorities of the parties (Monaghan 2006:2, Romanova 2009:143). An important initiative in the dialogue framework facilitating tighter cooperation on technical matters as well as research and development, was the establishment of the EU- Russia technology centre in Moscow in 2002, which was co- funded by the two parties.

Despite of these tighter institutional relations as a result of the establishment of the energy dialogue, an analysis of Romanova (2009:123,131) reveals that the two parties have had divergent views of the strategic goal of the dialogue, as well as of the measures necessary to realise the objectives set up for the dialogue; these differences only became larger as the dialogue went on. The EU wanted the energy dialogue to be included in the overall economic relations with Russia; a view the Russians did not share (Romanova 2009:125-126). This is clearly an example of the fact that in the end, the two parties seek to take advantage of their

[69] that is upgrading of infrastructure, entering into contracts and building transport facilities

respective powers; the EU has a clear prevalence in the economic realm, and Russia has its stronghold in the energy sector, mirroring the dynamics of their interdependent relationship. This has also led to a rather poor functioning energy dialogue, because the differences have only materialised themselves more over time, leaving the room for agreement between the parties smaller and smaller; "political feasibility has to a considerable extent limited energy cooperation to technical problem-solving" (Romanova 2009:147). In 2010 the energy dialogue celebrated its 10th anniversary, and despite all the praise coming from both camps about the relevance and importance of the dialogue, most analysts agree that it has yielded few results, at least from a European energy security view, because the EU has not been able to convince Russia to agree on the most valuable initiatives. Commentators have marked that the results can be found in the business sphere, and that misunderstandings, different policy views and history have blocked the dialogue at the political level (Grigorjev cited in Morgenbladet 22 October 2010).

Other institutionalisation efforts, most notably dialogue frameworks, have been pursued. The parties decided in 2003 to organise the relations around four Common Spaces[70]. According to Youngs (2009b:85), the Common Spaces have made less mention of the incorporation of EU governance rules and standards when compared to the ENP action plans for many of the Mediterranean countries. The Common Space relevant for the energy relations of the two parties is the common economic space (Godzimirski 2008:153).

The Northern Dimension was established as a regional component of the EU- Russia relations, covering northern Europe and the Baltic region, and later also the Barents region (Romanova 2009:122). The Northern Dimension is "a framework for practical cooperation with Russia without mention of political conditions or issues – apparently circumventing the supposedly baseline values of EU external relations" (Youngs 2009b:93). As elaborated in the chapter on Norway, the energy sector has not been a prominent feature of the Northern Dimension up to date, but analysts consider that this might be emerging in the feature, in relation to the growing importance of the Barents and Arctic region for European energy security, as well as the Russian production capacity.

This short review of the institutionalisation instruments the EU has made use of towards Russia illustrates the comments that was made in the beginning of this paragraph; the EU has sought to institutionalise the relationship with high intensity, but there are a lot of challenges connected to the different instruments. Several of the attempts to institutionalise

[70] Economics and trade, internal security, foreign- policy issues, science and culture (Youngs 2009b:81)

the relationship according to different binding legal arrangements have met resistance from Russia, and consequently the EU cannot take advantage of them for energy security purposes.

Market strategy

Infrastructure is a vital part of the energy relationship, as the Russian reserves are often found in remote places, and thus need to be exported to the EU through far- stretching pipelines, and as of late, as LNG. Many of the pipelines connecting Russia to the EU has been initiated by Russia, and some have included the participation of European companies. The commercial aspect of infrastructure development is therefore a prominent feature of the market strategy of the EU, as the relations with Norway also show. However, the EU has also supported some pipelines politically and financially, as will be elaborated below.

As already mentioned, the investment climate in Russia has been an important issue for the EU in its energy relations with the country. Although problems followed after Putin´s rise to power in Russia, this did not seem to slow down investment; in 2006, "the EU consolidated its position as the largest investor in Russia" (Youngs 2009b:91). However, challenges for European investments in the Russian energy sector exist; the state enjoys great control over the amount of foreign investment allowed, by applying a law which states a low legal percentage part of foreign ownership in different companies, as well as strict regulations on exploration and development licenses (Kryukov and Moe cited in Locatelli 2010:963). This is confirmed by the data collected for FDI flows from the EU to Russia between 2007 and 2009; compared to Norway, the Gulf countries, and some of the countries in the Mediterranean, the flows are considerably low. As mentioned in the chapter on the energy relations with Norway, Norway has lost considerable sovereignty as regards to licensing practises. This is however not the case with Russia, again illustrating the rather large control the EU enjoys over the Norwegian energy sector compared to the energy sectors of the other producers. In view of financing instruments, funding has to a large degree been confined under the TACIS programme for increasing production capacity in Russia. Initially, assistance from the EU to the development of the Russian energy sector was prominent, including extraction and infrastructure, regulation facilities, advice and technical assistance (Haghighi 2007:344,346). After the launching of the energy dialogue the amounts have been raised on several occasions, also including funding for Russian gas infrastructure (Youngs 2009b:81).

Here, as elsewhere, the EU is promoting harmonisation of energy regulations and markets as well as liberalisation of the energy market. As such, the ECT is a framework for institutionalising the relationship between its signatories, at the same time, the principal aim of the treaty is to secure international investments, and through the associate Transit protocol[71], provide third party access to producer pipeline networks (Locatelli 2010:962). Thus, the ECT represents also an important tool in the market strategy pursued by the EU, aiming at securing a good environment for investments as well as liberalisation of the energy sector. However, as noted above, Russia has not ratified the treaty, and thus, the extent to which the EU can make use of the ECT´s important provisions for removing barriers to trade and harmonising regulation is limited. The adoption of the reciprocity principle, often dubbed the Gazprom- clause, is often viewed as an expression of the more general EU strategy to advocate legal approximation in its relations with third countries (cf. Romanova 2009:131). Basically it implies that third parties' access to the European market is conditioned on the opening up and establishment of adequate rules in their own market, and it foresees sanctions in the form of restrictions related to access in the EU market in case third- countries refuse to guarantee a certain level of legal harmonisation (Romanova 2009:131). The Commission has applied pressure in order to break up long term contracts with producers in order to promote competition in the market, in opposition to the vertical integration strategy of Gazprom (Finon and Locatelli 2008:428). Long term contracts have traditionally been favoured by gas producers because it gives them a guarantee of stable demand at a predictable price, but they contradict the market conditions set out by the EU´s gas directives (Romanova 2009:135). After several years of discussion, some of the provisions related to long term contracts were modified; in particular the destination clause was prohibited and the duration of the contracts were reduced to 10- 15 years (Romanova 2009:136). Thus, the EU has been able to remove the destination clause also here, as was seen in relation to Algeria´s Sonatrach in the chapter on the EU- Mediterranean energy relations.

Free trade negotiations with Russia are conducted mostly in relation to the negotiations for a new PCA, as well as under the Common economic spaces and Russian accession to the WTO. Until now however, a formal FTA has not been set up. The EU has been very supportive and active in the Russian negotiations for WTO membership. It did nevertheless agree to exempt the energy sector in the negotiations over Russia´s entry to the

[71] The transit protocol implies that "the Russian gas company would have to open its gas pipeline network to external suppliers, in particular so that gas can be delivered from Central Asia to Europe, and so that the number of suppliers serving the European market can be increased" (Locatelli 2010:963).

WTO (Youngs 2009b:85). Negotiations over accession to the WTO are still ongoing, and have been somewhat intensified since 2010 (WTO Russia 2011).

Political strategy

As mentioned above, some pipelines connecting Russia and the EU has been subject to political and financial support from the EU. As such, they reflect more of a political intervention in relation to the political strategy rather than being a strictly commercial activity taking place at company level. The EU has supported especially two projects initiated by Russia; the Yamal and the Nord stream pipeline, by giving them priority status under the TEN- E guidelines[72] (Solum Whist 2009:173, Youngs 2009b:84). The Nord Stream[73] is one of the projects that have gained a lot of attention in Europe in the last years. The Commission supported the Nord Stream project as potentially beneficial for securing European supplies. It will connect Germany and Russia through the Baltic Sea (Losoncz 2009:147). Later, the project has been viewed as more problematic, and does not necessarily enjoy the support from all of the EU member states; the conflict over the Nord Stream is especially between Germany on the one hand and Poland and the Baltic countries on the other. The latter´s arguments are that the pipeline will increase Russia´s leverage over them and threaten their energy security, whereas Germany has dismissed these concerns and argued that the pipeline is for the benefit of Europe as a whole (Solum Whist 2008:1-2). As elaborated in the chapter on the Caspian region, Russia has launched the South Stream project together with Italian-owned ENI as an alternative to the strategically important Nabucco- project. Together with the Hungarian deal with Russia on Blue Stream, also a competitor to the Nabucco project (Youngs 2009b:89), these bilateral deals are regarded to be expressions of Russia´s game of a "divide and rule" tactic (Youngs 2009b:86-87). However, this perspective is challenged by the argument that the member states are "queuing up" to strike deals with Gazprom (Youngs 2009b: 96). Other commentators have pointed out that "the EU has not taken any action to prevent single members from entering into long- term contracts that other members consider problematic" (Larsson 2008:35). Hence, it does not necessarily need to be "divide and rule" tactics, if the different member states invite Russia to engage in these kinds of bilateral policies (Mendelson speech 2007). In addition to there being differences between the EU and

[72] The aim of having an arrangement for priority infrastructure projects is to "accelerate the implementation and construction of connections and to increase the incentives for private investors" (European Commission in Solum Whist 2009:173).
[73] Formerly known as the Northern Europe Gas Pipeline (NEGP)

Russia, there are also differences between the member states of the EU as to how to relate to Russia on several dimensions concerning energy, as illustrated with the abovementioned pipelines. Several bilateral deals between member states and Russia were concluded in the latter half of the 2000s. The deals have given Gazprom greater access to the market in exchange for an agreement to maintain supplies on a bilateral level (Youngs 2009b:82).

Apart from these efforts, the level of intensity with which the EU has pursued the other political strategic instruments has been low compared to the other strategies discussed above. Concerning weapon export to Russia from EU members, the data collected for this purpose indicates that the transfer rate of conventional weapons to Russia has been comparatively low. Between 1995 and 2010 only 3 transfers were cited by the SIPRI. In contrast, the average annual amounts of EuropeAid disbursed to Russia between 2004 and 2009 were around 110 million €, and the only producer receiving more than this was the Mediterranean region. Of the conflictive instruments, the only instrument detected is the Early Warning Mechanism established under the Energy dialogue in 2007. This can be utilised for monitoring of critical infrastructure and to minimise the consequences of a gas dispute by identifying and notifying each other in advance on demand or supply problems relating to natural gas (Youngs 2009b:86, Yastrzhembsky 2008:31). After the gas crisis in 2009 the Mechanism was further strengthened, but it is interesting to note that it originally did not function satisfactory as an instrument avoiding a similar crisis to the one in 2006. As will be further discussed in the comparative chapter, more physical measures to protect infrastructure, i.e. through the military, have not been detected in the EU- Russia relations. Thus, the level of intensity with which the EU has pursued political strategic cooperative instruments is somewhat middle ranged, yet, seen in relation with the more conflictive instruments; the level of intensity connected to the political strategy is comparatively low.

3.5.4 What strategies dominate and with what intensity?

This analysis shows that the energy relationship with Russia is a complex one, with many instruments and initiatives being implemented and attempted since the end of the Cold War. It becomes clear that the EU´s initiatives to a large degree have been based on the market strategy, and the institutionalisation efforts all have a clear commercial or market content (Youngs 2009b:83). Again, the internal market is utilised as a benchmark and for example, "the spread of the EU´s legislation beyond the EU´s borders [...] became the dominant aspect of the Commission´s activities in the energy dialogue" with Russia (Romanova 2009:128).

An important factor in the dynamics of the energy relationship has been mentioned several times in this chapter, namely the diverging views and approaches to energy policy of the two parties. It can be underscored that "the EU wants to extend a multilateral market regime for energy trade while Russia prefers to use its energy resources to restore its geopolitical power" (Finon and Locatelli 2008:424). Commentators remark the growing opposition in Russia towards the EU paradigm (Romanova 2009:124). These tendencies can also be observed in the other external energy relations of the EU. An important puzzle here is that while Russia has complete opposite views and is regularly refusing to cave into the demands of the EU, the EU persists in pursuing its strategies and instruments as illustrated in the analysis above. This might seem a little counterproductive – or is it just an expression of the fact that the EU lacks the hard power so many argues to be true?

Youngs (2009b:85) argues that the EU´s strategy towards Russia can be characterised by two levels of policy: on the one hand, technical and regulative cooperation have prevailed and on the other a more high- politics, strategically oriented political dialogue has taken place. Although the institutional arrangements and other instruments presented above clearly reflect the market strategy, commentators argue that there has been an increasingly geopolitical dimension to the EU policy in its relations with Russia (Youngs 2009b:85). For example, in the energy dialogue, the vision of the EU was initially economic rather than security or geopolitically focused, yet later the EU policy increasingly reflected a politicised and securitised approach to energy (Romanova 2009:128,130). This can be seen in the heightened activity towards Russia in relation to the gas crises, as well as the establishment of an Early Warning Mechanism. Yet, when the political strategic instruments are considered, the strategic dimension is not so prominent. This implies that the increased politicised perception of Russia as an energy supplier has made the EU more or less resort to familiar instruments, and the overall level of intensity has increased with added attention being given to Russia´s assertive role as a gas producer, although this has not necessarily meant more employment of political strategic instruments.

4 Comparative analysis

The diversification logic, both by source and type of energy, lies behind the EUs pursuit of managing its relations with several of its most important suppliers of natural gas, as well as engaging with new, potential suppliers. The foregoing chapters have taken this as a premise, and an empirical analysis of five external energy relations has been conducted. This chapter is devoted to the pattern of action that emerges from this analysis, and it seeks to reveal whether or not there is variation in the external energy security policy of the EU, and if there are any systematic tendencies between this variation and certain characteristics of the producers. As such, the empirical expectations proposed in the theory chapter will be confirmed or rejected. First, a short recap follows on what instruments a gas consumer can utilise in order to enhance its energy security. Secondly, a brief summary or overview is given of what the empirical analysis has revealed about what strategies the EU has pursued, against which producer and with what intensity. Afterwards, the pattern and eventual variation that emerges are analysed and discussed in relation to the empirical expectations presented in the theory chapter, whereas the chapter concludes with some general observations on what this pattern reflects and eventual other explanatory factors the comparative analysis has revealed.

4.1 How can a gas consumer secure supplies?

As put forward in the theory chapter, a gas consumer can make use of different instruments that all can be employed in order to enhance energy security. There are of course several internal measures such as reserve stocks and demand control that can be a part of an overall strategy for energy security, but as is evident by now, this analysis is confined to instruments which are aimed externally and towards the producers of natural gas:

Table 4.1 Typology of energy security strategies

Institutionalisation strategy	*Market strategy*	*Political strategy*
- Dialogue ▪ Bilateral ▪ Regional - Formal bilateral agreement - Formal Intergovernmental/ Multilateral agreement - Supranational agreement	• **Infrastructure** - Commercial • **Investment** - FDI - Financing instruments • **Removing barriers to trade** - FTA - Regulatory harmonisation - Promotion of inclusion in the WTO	• **Cooperative instruments** - Political and financial support of infrastructure - Development aid - Weapon export - Military assistance • **Conflictive instruments** - Occupation or intervention - Sanctions - Protection of critical infrastructure

4.2 What has the EU made use of? Where? How intense?

4.2.1 Institutionalisation strategy

Recalling that the level of intensity refers to the weight the EU has put on one strategy, the EU has sought to institutionalise its relationship with all the producers considered here, albeit with different intensity and with different types of instruments. Russia and the Mediterranean region are the objects of most attention from the EU, especially when the sheer number of institutional instruments and policies is concerned. Not surprisingly, the EU- Russia relationship is characterised by many bilateral dialogues and agreements, while there are many regional dialogues institutionalising the relationship with the Mediterranean region. At the same time, several bilateral instruments have been undertaken with individual Mediterranean countries ranging from non- binding MoUs on energy to binding bilateral Association Agreements. Furthermore, the empirical analysis has revealed that there is a distinct difference between the two regions that are currently non- significant suppliers to the EU, the Caspian and the Gulf, both in terms of which type of instruments the EU has made

use of, as well as the level of intensity. Towards the Caspian region the EU has pursued several bilateral instruments, but it is only in the latest years that the majority of these initiatives have taken place. Azerbaijan is definitely the country that enjoys the strongest institutional ties with the EU of the Caspian countries, and it is included in the ENP. On a regional level, the Baku Initiative and the INOGATE programme are important instruments of dialogue. The EU has therefore pursued the institutionalisation strategy with high intensity towards the Caspian region. Turning to the Gulf region, the level of intensity is obviously weaker; the EU has a regular dialogue with the countries of the GCC, and this is thus the only relationship where the institutionalisation has taken place between two regional organisations. Yet, other instruments such as an energy dialogue, the ECT and other regional programs are not present, and the level of institutionalisation is thus comparatively low. The same is true for the bilateral relations, even though Iraq has received more attention the last couple of years.

Compared to for example Russia, the energy dialogue with Norway has had relatively little activity, and the country is only an observer in the Energy Community. The Northern Dimension is a regional policy affecting both Russia and Norway, but as discussed it is mainly relevant for the EU- Russia relationship. Additionally, the energy dimension has not been very prominent. Nevertheless, the very nature of the EEA agreement is definitely an important reason for characterising the relationship with Norway as highly institutionalised: it is the only instrument the EU has utilised with supranational aspects, and it covers a wide range of issues. Norway has had to give up sovereignty on many dimensions relating to energy, to the benefit of the EU´s energy security.

The EU has promoted the ECT in all of its relations except from the Gulf region, but with different levels of success. The only countries that have actually ratified the treaty are the countries of the Caspian region, while the traditional suppliers of the EU such as Russia, Norway and Algeria all have rejected it. The ECT contains provisions aiming at harmonisation of regulation in the energy sector, and as such it is also an important instrument for market creation purposes. Given the current supplier role of the Caspian region it is evident that this is a clear advantage for the EU, provided that the Caspian countries actually adhere to the provisions of the treaty.

Summed up, the instruments utilised for the purpose of institutionalising the relationships are presented in the following table. The level of intensity referred to in this paragraph becomes apparent; the EU has sought to institutionalise the relationships with

Russia, the Mediterranean and to some degree the Caspian region on several dimensions, while the Norwegian and Gulf case display fewer instruments, not implying that the level of institutionalisation with Norway has been low. The measure on intensity also takes into account the content and reach of the instruments, as was noted in the introductory chapter.

Table 4.2 Institutionalisation strategy

Institutionalisation strategy[74]	**Russia**	**Norway**	**Caspian region**	**Mediterranean region**	**Gulf region**
Dialogue	ED, EWM, CS	ED	MoUs	MoUs	MoU (Iraq)
- **Bilateral**				Action plans under ENP	
- **Regional**	ND	ND EITI	ENP (Azerbaijan) EITI Baku Initiative INOGATE Central Asia Strategy	ENP, EMP, Barcelona Process, UfM	INOGATE (w/ Iran) MoU Trade EU-GC
Formal bilateral agreement	PCA		PCA Action Plan (Azerbaijan)	Association Agreements	EU- GCC Cooperation agreement T & C Agreement (w/Iran and Iraq) PCA (w/Iraq)
Formal Intergovernmental/multilateral agreement	ECT	ECT Energy Community Treaty EFTA	ECT	ECT	ECT
Supranational agreement		EEA			

[74] The abbreviations of the table are; ED: Energy Dialogue, EWM: Early Warning Mechanism, CS: Common Spaces, ND: Northern Dimension, PCA: Partnership and Cooperation Agreement, ECT: European Charter Treaty, EITI: Extractives Industry Transparency Initiative, EFTA: European Free Trade Association, EEA: European Economic Area, MoU: Memoranda of Understanding, ENP: European Neighbourhood Policy, INOGATE: Interstate Oil and Gas Transportation to Europe, EMP: Euro- Mediterranean Partnership, UfM: Union for the Mediterranean, GCC: Gulf Cooperation Council, T&C Agreement: Trade and Cooperation Agreement.

4.2.2 Market strategy

Turning to the instruments facilitating market creation, the pattern relating to the level of intensity more or less repeats itself. Concerning infrastructure, the strictly commercial projects can be found in the energy relations with Norway, Russia and the Mediterranean. The content of the institutionalisation efforts referred to above is also almost without exception relevant for the market strategy.

Concerning investments, the data retrieved for this purpose originates from different sources due to great challenges related to the collection of available relevant data. These challenges concern definitions of the countries or the region, the time period and the currency unit as well as non-availability for several countries. Therefore, the data presented in the empirical analysis are a very rough estimate of the outward FDI from the EU by geographical destination and are merely illustrative. Nevertheless, they point to certain tendencies regarding the flow of FDI to the various producers. The EU invested considerably in Norway, the countries of the GCC as well as in Turkey between 2007 and 2009, and comparatively less in Russia in the same period. Other countries that stand out in the Mediterranean region are Tunisia, Algeria, Egypt and Morocco. On a general level, investments from the EU in the energy sector have been a prominent feature of the EU´s market strategy, reflecting the fact that the EU is the largest economy in the world.[75]

Financing instruments referred to in the empirical analysis can be seen as a way of enhancing the political links with the producer, similar to the implications of making use of development aid, but they can also be interpreted as an important instrument for the creation of a market, for example where the energy sectors are not adequately developed for large scale export, or where the energy sector needs restructuring or upgrading in order to sustain the current level of supply. In this thesis, the latter interpretation has been applied. The Caspian region can be considered as an example of the former while many commentators point to the fact that the Russian energy sector is in need of upgrading and restructuring. Generally, these financing instruments feature prominently in the relations with Russia, the Caspian and Mediterranean region, and the EU has therefore pursued this instrument with high intensity. These numbers also reflect the figures for development aid referred to under the political strategy.

[75] Even though I do not have accurate data on EU FDI in the energy sectors of the producers because it was not possible to combine data on total FDI flows in the energy sector and total FDI flows by destination, this argument has been confirmed by several of the secondary analyses, as mentioned in the empirical analysis. See for example Youngs (2009b).

Efforts to remove barriers to trade have been stated by the EU as a basis for its energy policy towards the producers. It is therefore not surprising that several instruments for this purpose have been identified in the empirical analysis. Instruments such as the EFTA and EEA in the Norway case, and ECT and the Black Sea synergy towards the Caspian region are prominent examples. Again, the efforts towards Norway are more encompassing, and once established, they have covered many of the areas the other instruments aim to cover one by one.

Several of the provisions of the internal market which have been introduced over the years aiming to liberalise and integrate the market to a larger extent, are also affecting the relations with external producers. As such, they are instruments which can be used with external ramifications aiming at the harmonisation of regulations. The most prominent of these provisions is the so- called reciprocity clause, discussed in the chapter on Russia, which has direct consequences for the suppliers of natural gas to the EU, given that it implies that access to the European market is conditioned upon making their own markets accessible and the establishment of adequate rules (Romanova 2009:131). Other provisions are those concerning unbundling and third- party access, which has been demonstrated as important especially in the EU- Russia relations. Moreover, with the Black Sea synergy towards the Caspian region the EU has sought to develop a sub- regional energy market. This might also be interpreted as an important instrument of regulatory harmonisation, as the principal aim of this initiative is to establish an integrated sub- regional energy market, facilitating the convergence towards the EU gas market. This resonates with similar instruments utilised towards the Mediterranean, namely the promotion of the Mashreq gas market and the Agadir FTA. A free trade agreement was actually one of the purposes with which the EU based its effort on the Barcelona Process giving the EU- Mediterranean relations a push in the 1990s, but a formal agreement has not yet been set up. The only formal agreements are the mentioned sub- regional Agadir Agreement that is supported by the EU and a bilateral free trade agreement with Tunisia. Similarly, the EU has engaged in free trade negotiations with the countries of the GCC, yet without any conclusion. The success of this instrument in enhancing the EU´s energy security is thus debatable. FTA negotiations with Russia are taking place within the framework of the negotiations on WTO accession and a new PCA agreement, as well as the Common Economic Spaces, but a formal agreement has not yet been set up.

An instrument the EU has pursued to some degree is promotion of accession in the WTO. Most of the countries still outside the WTO are energy exporters, at the same time; the WTO is an important pillar in the EU´s trade policy. Therefore, the inclusion of the energy exporters in the multilateral trade framework is a vital instrument for the EU in order to facilitate free trade, and as such create and maintain a market for natural gas. The EU has publicly supported the accession of Russia, Algeria, Iraq and the countries of the Caspian region, as well as Saudi Arabia (under certain conditions), and in some instances it takes part in the accession negotiations, while the subject is also present in the political dialogues between the parties.

Presented as a table, a summary of the market instruments reveal that the EU has pursued the market strategy with high intensity. However, again, the Gulf region is the producer the EU has paid less attention to, and instruments are thus pursued with less intensity here. In the relations with Norway, the EU has sought to remove barriers to trade especially, while in its relations with the Caspian region, Russia and the Mediterranean the EU has pursued market creation with high intensity both by removing barriers to trade and investments. The latter three therefore emerge as the relations that reflect the most intensity from the EU´s side, together with Norway when content and consequences of the EEA are taken into account.

Table 4.3 Market strategy

Market strategy[76]		**Russia**	**Norway**	**Caspian region**	**Mediterranean region**	**Gulf region**
Infrastructure	**Commercial (European Companies)**	X (pipelines included in the annex)	X (all of the pipelines)		X (pipelines included in the annex)	
Investment	**FDI**[77]	5,7 billion €[78] (2007-09)	14,8 billion € (2007-09)		15,4 billion € (2007-2009)[79]	9 billion € (2007-2009) GCC and Iran
	Financing instruments	TACIS		ENPI (Azerbaijan), TACIS, TRICECA, INOGATE CAIF	MEDA ENPI	DCI
Remove barriers to trade	- **FTA**	(PCA, CS, WTO)	EFTA	General System of Preferences	EuroMed process, Agadir FTA, FTA w/Tunisia	EU- GCC FTA
	- **Regulatory harmonisation**	Reciprocity clause Transit protocol	EEA	BlackSea synergy ECT, PCAs	Mashreq,	(x)
	- **Promotion of inclusion in the WTO**	X		All of the countries	X Algeria	X (Saudi Arabia, Iraq)

[76] The abbreviations of the table (that are not mentioned under the previous table) are: TACIS: Technical Assistance to the Commonwealth of Independent States, ENPI: European Neighbourhood Policy Instrument, TRICECA: Transport Corridor to Connect Europe via the Caucasus to Asia, CAIF: Central Asia Investment Facility, MEDA: MEsures D'Accompagnement, DCI: Development Co- operation Instrument, FTA: Free Trade Agreement.

[77] In the Caspian region, the EU accounted for around 50 % of the total FDI in Azerbaijan and Kazakhstan in 2008 and 2007 respectively.

[78] Average amount per year in the time period

[79] This number is valid for Egypt, Israel, Turkey and Morocco, where Turkey stands for 8, 8 billion €. Algeria received on average 266, 5 million $ a year between 1998- 2001, whereas Tunisia received on average 368, 63 million $ a year between 1994 and 2003 (UNCTAD 2011, European Commission 2011a).

4.2.3 Political strategy

Finally, the empirical analysis has revealed that the EU to some degree has made use of several of the instruments identified as part of the political strategy, most notably those aiming at enhancing political links with exporters, or the more cooperative instruments. Here the political and financial support of infrastructure features prominently in the energy relations with the Mediterranean, the Caspian and to some degree with Russia. Regarding the Caspian region this argument is connected to the importance of the region for the Nabucco Project. The construction of Nabucco has received both financial and political support from the Commission through the TEN- E guidelines, in contrast to for example the pipelines connecting Norway to the EU, where the European involvement is through European companies that have taken part in the consortiums developing the pipelines. The pipelines from Russia such as the Yamal and the Nord Stream have also had the same status as Nabucco, yet the Commission has been far more outspoken regarding its support and the prominence given to the Nabucco project. This may be a result of the diversification logic referred to in the beginning of this chapter, provided that Russia is the largest supplier of natural gas to the EU at the moment. Additionally, the EU has recently concluded two important deals with Azerbaijan and Turkmenistan committing the producers to gas supply. This has of course important implications for the realisation of Nabucco, as they can be considered as essential for this purpose. The Nabucco is to some extent also relevant for the Gulf region, but as mentioned the initiatives pursued up to date have not concentrated so much on the supply potential of the Gulf for Nabucco, compared to those found in the EU-Caspian relationship. Some of the pipelines connecting the Mediterranean to the EU are also given financial and political support. It is safe to say that in the majority of the relations infrastructure has been a top priority for the EU.

Moreover, development aid in different forms and weapon export emerge as prominent political strategic instruments. Data from EuropeAid show that the Mediterranean region receives the largest amounts. Norway is not receiving any EuropeAid, the same is true for all of the countries of the Gulf region, except for Iran and Iraq. Together, Iran and Iraq receive about the same average amount as the Caspian countries, Iraq receiving the bulk this, while Russia receives the second largest amount of EuropeAid. Therefore, the Mediterranean and Russia are the exporters towards which the EU has made use of development aid with most intensity.

Turning to the numbers on weapon export, the largest recipients of conventional weapons from EU member states in the period 1995 to 2010 were the countries of the Gulf region, closely followed by the countries of the Mediterranean. The Caspian region and Russia hardly figures in the overview of transfers, whereas Norway appears more often, but very little compared to the Gulf and Mediterranean region. The EU has made use of military assistance with little intensity, and the indicators illustrate that the bulk of attention is given to the Mediterranean region as well as Kazakhstan and Iraq through the stability instrument and deployment of missions. Taken together, the EU has pursued the strategy with most intensity towards the Mediterranean region, followed by the Gulf region. Whereas the Mediterranean has high scores on all the instruments, this is only true for weapon export to the Gulf region.

The instruments identified as those that aim at physically securing supplies through more conflictive measures are hardly utilised by the EU, and the only producers affected by these instruments are a few countries in the Gulf region and to some extent the Mediterranean. Concerning occupation or intervention it is very debatable whether the invasion of Iraq in 2003 and the NATO intervention in Libya in 2011 were influenced by motives of energy security or not, and it is beyond the scope of this thesis to go into this discussion. Still, several EU countries, most notably the UK was part of the coalition going into Iraq in 2003, and they are also part of the NATO coalition in Libya. The general observation is that occupation or intervention is an instrument the EU hardly ever uses, and when it is utilised, it is very difficult to determine whether or not the motive for such an action is energy security. Moreover, "the EU" is in these cases the member states, and not the Commission or the EEAS acting on behalf of the member states. Nevertheless, as has been illustrated lately in Libya, the energy prices, especially oil prices are very vulnerable to disruptions such as war and conflict, and thus have important implications for the energy security of the consumers. It is therefore not unthinkable that energy security might be one motive behind an intervention in a country that is a large producer of energy.

Connected to the former instrument are those aiming at the protection of infrastructure i.e. energy installations and networks. Basically, this may entail military protection of infrastructure, and is therefore often an integral part of the occupation or intervention instrument. Military protection of infrastructure might also be deployed separately; for example, in the Iran- Iraq war between 1980- 1988 several EU member states took part in securing tanker routes in the Persian Gulf as a part of a NATO mission (Spiegel Online 2008). Yet there are several other indicators such as monitoring and surveillance as well as warning

mechanisms that may be relevant for the protection of infrastructure. As such the only instrument detected in the empirical analysis is the Early Warning Mechanism established between the EU and Russia. Additionally, the Galileo project mentioned in the chapter on the Mediterranean might be utilised for this purpose in the future. However, these are not measures of "physical protection" as was the essence of the Polish proposal of an Energy NATO in the wake of the gas crisis in 2006, in which the Polish suggested that a solidarity clause be made valid in the event of threatened energy security (ibid.). The proposal was however rejected. Therefore, the empirical analysis has not detected any instruments that aim at physical protection of the important infrastructure for gas supply into the EU. The EU has mainly concentrated on the protection of critical infrastructure within its own borders, such as with the Network of Energy Security Correspondents (NESC) and the overall strategy presented in a communication from the Commission and Council in 2004 (European Commission 2004). These measures are first and foremost seen in relation with the fight against terrorism. Additionally, other crisis management instruments such as reserve stocks feature prominently among internal measures.

The tables summarising which of the political strategic instruments the EU has made use of reveal that in comparison to the instruments of the market and institutionalisation strategies, they have been pursued with a lot less intensity, and the use of the instruments is more varied across the relations, resulting in a more scattered pattern. The EU has utilised mostly those instruments aimed at enhancing political links with exporters, through political and financial support of infrastructure, development aid and weapon export, while the more conflictive instruments only have been utilised towards a few individual countries, most notably in the Mediterranean and Gulf region. Generally, the Mediterranean is the object of most political strategic attention from the EU. Taken together, the political strategic instruments are the ones which the EU has pursued with least intensity compared to the other strategies, and are therefore not the most prominent feature of the EU´s external energy security policy.

Table 4.4 Political strategy – cooperative

Political strategy					
Cooperative	**Russia**	**Norway**	**Caspian**	**Mediterranean**	**Gulf**
Political and financial support from the Commission (TEN- E priority status)	Nord stream, Yamal		Nabucco, Southern gas corridor	Medgaz, Galsi, Trans-Mediterranean	(Nabucco, Southern gas corridor)
Development aid Average yearly amount 2004-2009 (million €)	113,14		27,30	867,12	Iran and Iraq 24,17
Weapon export Transfers 1995-2010	3	11	4	48	57
Military assistance			Stability instrument Kazakhstan	Stability Instrument (Lebanon, Libya, Palestine, Syria) Peace- building partnership (Lebanon, Palestine, Syria) Mission in Palestine	Mission in Iraq

Table 4.5 Political strategy – conflictive

Political strategy					
Conflictive	**Russia**	**Norway**	**Caspian**	**Mediterranean**	**Gulf**
Occupation or intervention				Libya	(x) (UK part of the invasion of Iraq)
Protection of infrastructure	(EWM)				x
Sanctions				Egypt Libya Lebanon Syria Tunisia	Iran, Iraq

4.3 Expectations and findings

With this summary of what the empirical analysis has revealed as a background, I now turn to the question of how the EU´s actions relate to the proposed empirical expectations. The fact that the EU utilises a combination of the strategies was expected in the theory chapter and is thus not a very surprising observation. However, the tables above confirm the expectation

regarding variation in the external energy security policy of the EU: the EU has pursued the respective strategies with different levels of intensity and this varies across the energy producers.

The EU utilises all of the instruments with various levels of intensity, except for the political strategic conflictive ones, which is only observed with very low intensity in a few number of cases. On a general level, the assumptions noted in the introductory chapter about what strategy the EU most likely would follow given its competencies and capabilities can be confirmed. The Clingendael study (2004) referred to in the theory chapter outlined two storylines as a basis for understanding the security of energy supply in the EU, and also concluded that the EU was well embedded in the Markets and Institutions storyline. The present analysis confirms this picture; as such the conclusion from 2004 has not been significantly changed taken into account the years after. The instruments of the market strategy are especially dominating, reflecting that the EU seeks to make use of its economic power and the advantages of being the largest trade bloc in the world. In fact, in many instances the instruments aiming at institutionalisation contains provisions that *facilitate* market creation. The energy relations of the EU has developed and become more encompassing in the last 7 years, and it is possible to observe that the heightened level of awareness around energy security in the policy papers of the EU over the last decade has translated into more concrete initiatives in the foreign policy realm. The Markets and Institutions approach reflect a focus on a long- term perspective on energy security; by building institutional relationships and creating markets the EU has sought to improve reliability, availability and affordability in the long run. Some of the political strategic instruments reflect a more short- term perspective on energy security, they seek physical control of supply and also crisis management, in line with the theoretical arguments of the realists, but these are only pursued with low intensity. Yet, these reflections are not representative of the whole picture; the EU has sought to use political strategic measures as well, and the pattern of action is actually more nuanced, as will be elaborated in the following paragraphs.

The Mediterranean region and Russia have received most attention and this is also confirmed by a review of the press releases concerning energy between 2004 and 2011. As pointed to, the Caspian region has also emerged high on the EU´s agenda, which is confirmed by this review. Even though this table does not say anything about the link between level of

intensity and strategy, it illustrates the general level of activity of the EU towards the different producers and hence the importance of the producer on the energy agenda of the EU:

Table 4.6 General level of intensity

	Russia	Norway	Mediterranean	Caspian	Gulf
Number of mentions[80]	54	20	44	46	11

These reflections point to an answer to the first part of the research question; the external energy security policy of the EU varies across different energy producers according to the level of intensity with which it pursues one or the other strategy. In the following, the possible explanations for this variation are discussed.

4.3.1 Empirical expectations: Characteristics and strategies

I expected that the EU has pursued the different instruments with varied levels of intensity according to certain characteristics of the producer. Basically, the empirical expectations take as a premise that different characteristics of the producers give the EU motives to pursue different strategies with varying intensity in order to enhance its energy security. The task of this part of the comparative analysis thus becomes to reveal whether or not there are any systematic tendencies between the chosen characteristics and the pattern of action that have been identified in the foregoing paragraphs, and as such to figure out whether or not the characteristics are valid explanatory factors for variation in the external energy security policy of the EU. In the empirical analysis the producers where identified with the following characteristics:[81]

[80] The numbers were retrieved by counting the mentions of the countries or regions either alone, or in relation to the different instruments and initiatives that were identified in the empirical analysis. They were counted if they are the subject of the press release, are mentioned in the memos on the energy council meetings or in the speeches of the energy commissioner. They were only counted once per document or initiative. On 6 May 2011, there were 751 press releases in the Rapid database on energy.

[81] The possible combinations of all of these characteristics would result in a table consisting of 72 cells. Since this would be a very large and unmanageable table and analytical tool, I have confined the table to describe the summary of characteristics for the 5 regions and countries. Thus, even though the number of combinations is logically larger than the ones presented here, I will only note the characteristics relevant for each producer.

Table 4.7 Characteristics of the producers

Characteristic of producer		**Russia**	**Norway**	**Caspian**	**Gulf**	**Mediterranean**
Type of regime	Free		x			
	Partly free					x
	Not free	x		x	x	
Resource richness	High	x			x	
	Medium		x	x		
	Low					x
Degree of interdependence	High	x	x			x
	Low			x	x	
Level of conflict	High				x	x
	Medium	x		x		
	Low		x			

In the theory chapter the following empirical expectations were proposed:

1) *If the producer is a free regime then the EU will pursue political cooperative instruments with low intensity. Conversely, if the producer is a partly free or non free regime the EU will pursue political cooperative instruments with high intensity.*

2) *If the producer has high and medium levels of resource richness then the EU will pursue the market strategy with high intensity. Conversely, if the producer is resource poor then the EU will pursue the market strategy with low intensity.*

3) *If there is a high degree of interdependence between the EU and the producer then the EU will pursue the institutionalisation strategy with low intensity. Conversely, if there is a low degree of interdependence then the EU will pursue the institutionalisation strategy with high intensity.*

4) *If the producer displays a high or medium conflict level then the EU will pursue political conflictive instruments with high intensity. Conversely if the producer displays a low level of conflict then the EU will pursue political conflictive instruments with low intensity.*

Combined with the summary of the characteristics, the empirical expectations suggest a pattern of action presented on the left side of the following table. The empirical analysis and the subsequent summary in this comparative chapter have led me to place the different producers according to the various strategies on the right side, making up the actual pattern of action:

Table 4.8 The EU´s suggested and actual pattern of action

	Suggested pattern of action		**Actual pattern of action**	
	High intensity	**Low intensity**	**High intensity**	**Low intensity**
Institutionalisation strategy	Caspian Gulf	Norway Mediterranean Russia	Russia Mediterranean Caspian Norway	Gulf
Market strategy	Caspian Gulf Norway Russia	Mediterranean	Mediterranean Caspian Russia Norway	Gulf
Political cooperative	Caspian Gulf Russia Mediterranean	Norway	Mediterranean	Caspian Gulf Russia Norway
Political conflictive	Caspian Gulf Russia Mediterranean	Norway		Gulf Mediterranean

As evident, the suggested and actual pattern display discrepancies. In the following, the actual pattern will be discussed according to each empirical expectation.

4.3.2 The EU´s pattern of action

On a general level, several of the empirical expectations might be confirmed or rejected when each relation is considered in isolation. Firstly it was expected that the EU has pursued political strategic cooperative instruments towards not free regimes with higher intensity than towards free regimes, basically towards all of the producers except Norway. The empirical expectation is confirmed when looking at Norway in isolation. Only weapon export features as the instrument utilised here, and the level of intensity is thus very low. Yet, this is also true for Russia, the Caspian and to some degree the Gulf region; apart from the focus on infrastructure, the level of intensity with which the EU has pursued political strategic cooperative instruments is low. The only producer towards which the EU has pursued the political cooperative strategy with high intensity is the Mediterranean region, suggesting first and foremost that this generally is a strategy the EU has not sought to use very frequently, but

also, that the pattern of action suggested by the empirical expectation may be rejected. The EU does not pursue political strategic cooperation with any different intensity depending on the type of regime.

Even though it was not formulated explicitly in the theory chapter, either in the discussion or as an empirical expectation, it is possible to imagine that the EU would pursue another strategy according to the type of regime, namely institutionalisation of the relationship. Provided that the regimes are different from the EU, it might be so that the EU will encourage cooperation through different institutional arrangements in order to alleviate lack of trust and provide a framework for interaction (Mingst 2004:64). A combination of cooperation through different institutional channels can thus contribute to political stability through economic interdependence (Matláry 1997:55). Furthermore, over time, more parties might be included and create a complex web of interaction which gives incentives to cooperate and remain in the regime or other type of institution. Ultimately energy security might be enhanced. It can be expected that the EU will pursue institutionalisation with high intensity towards not free regimes, and with low intensity towards free regimes. Observations from the empirical analysis confirm that the EU has institutionalised the relationship with high intensity in those cases where the regime is not free or partly free. Yet it has pursued institutionalisation with the only free regime, Norway, also with high intensity. Moreover, the analysis of the relationship with the Gulf region revealed that the level of institutionalisation is very low compared to the other relations. Besides the political dialogue, agreement and FTA negotiations with the GCC, the EU has pursued fairly modest bilateral institutionalisation with individual countries, most notably with Iraq. Thus, even though this pattern of action might be expected, there are not any strong systematic tendencies between the type of regime and institutionalisation of the relationship.

The expectation concerning resource richness in relation to strategy and intensity is correct for Russia, Norway and the Caspian region; the EU has sought market creation with high intensity towards producers with high and medium levels of resource richness. Thus, the logic of securing access to vast energy resources by way of commercial instruments seems to be confirmed. Commercial infrastructure is especially prominent in the Norwegian, Russian and to some degree also the Mediterranean cases, along with efforts to remove barriers to trade. Norway might be regarded as the "ultimate realisation" of market creation, as it is part of the internal market and therefore subject to all of the regulations of the European gas market. Yet the EU has pursued market creation with high intensity also towards the

Mediterranean region where the level of resource richness is on average low. Apart from Algeria, Libya and Egypt almost all of the countries have practically no gas resources. Conversely, the Gulf region has a high level of resource richness, but here, the EU has sought market creation only with low intensity. As such, the EU has pursued market creation with high intensity towards producers with both high and low levels of resource richness, whereas towards the producer that have the absolute highest level of resource richness, it has not pursued market creation to any significant degree or with any significant intensity. Therefore there are not any systematic tendencies with the level of resource richness and with what intensity the EU has pursued market creation. The empirical expectation can thus be rejected, and resource richness does not contribute to any fruitful explanation of how the EU has pursued market creation.

As noted in the theory chapter, the degree of interdependence between the parties can have important consequences for the policy outcome (Offerdal 2010:39). According to institutional liberalists, the effects of institutions are greatest for economic cooperation, and they are expected to lead to increased interdependence over time. This is done by facilitating further cooperation and ultimately enhancing energy security as the interdependence provided by the institutions offer certainty and predictability for the long run, when the consumers are "involving themselves in cooperative efforts to ensure greater supply of gas" (Kelly and Leland 2007:23,30). With these arguments in mind, I expected that if there is a low level of interdependence between the EU and the producer, the EU would pursue institutionalisation with high intensity in order to gain the positive effects of the institutions referred to above. According to the empirical analysis, this is only true for the Caspian region and not for the Gulf region, even though these two producers have similar low degrees of interdependence with the EU. Similarly, where the level of intensity was expected to be low; towards Russia, the Mediterranean and Norway, which all hold a traditional supplier role and are significantly dependent on import from the EU, the level of intensity in terms of institutionalisation is high. The pattern that emerges from the energy relations all point to a rejection of the empirical expectation; the degree of interdependence does not seem to explain the way the EU has pursued the institutionalisation strategy towards the producers.

As argued, the pursuit of other strategies can be expected to occur with different levels of intensity even though they were not explicitly formulated in the theory chapter. As such, in relation to the degree of interdependence, a possible strategy would be to enhance political links with the exporter in case of low interdependence, that is; to make them more dependent

on other dimensions, to ensure that the suppliers feel more obliged to deliver gas, because if they fail to do so, the consumer can retrieve important goods, or important funds of assistance. On the contrary, such a strategy is not necessary if the level of interdependence already is high, and thus it can be expected that these political strategic cooperative instruments will be pursued with low intensity. The empirical analysis has revealed that the only producer towards which the EU has pursued political strategic cooperative instruments with relatively high intensity is the Mediterranean region, which was expected to be low given the level of interdependence. Similarly, in the relations with the Caspian and the Gulf region the EU has not pursued these types of instruments with high intensity, albeit with a bit more than towards Russia and Norway. Yet, since all the producers except for the Mediterranean place themselves in the low intensity cell of political cooperation while expected otherwise, the degree of interdependence also emerges with low explanatory power for the variation in the way the EU has pursued political strategic cooperation.

Lastly, the conflict level was expected to induce the EU to make use of political strategic conflictive instruments with high intensity towards those producers displaying a high conflict level. The empirical analysis has revealed that the only places where some of these instruments can be observed are in some of the countries in the Gulf and Mediterranean regions; most notably towards Iran, Iraq and Libya. Yet, the level of intensity is very low, and regarding the other producers they are hardly detected. This implies that the tendency towards using more political conflictive strategies is in line with the empirical expectation, but not with the expected intensity.

So, the pattern of action suggested by the empirical expectations could not be confirmed, that is, there are seemingly no systematic tendencies between the chosen characteristics of the producers and the level of intensity with which the EU has pursued different strategies in order to enhance its energy security. The only producers that are found in more than one of the suggested cells are the Caspian region concerning institutionalisation and market strategies, as well as Norway in relation to the two dimensions of the political strategy. Thus, the selected characteristics are not very relevant as explanations of the variation of intensity in the EU´s energy security policy. This does not necessarily mean that the EU does not pay attention to different characteristics of the producers. Rather it implies that the characteristics I have chosen lack significant explanatory power for the way the EU has pursued different strategies towards various producers, at least when the theoretical expectations are considered. In some instances, I have also suggested and discussed other

possible strategies of the EU connected to the different characteristics, but these were not confirmed by the empirical analysis either. So, a timely question becomes; what can be said about the pattern of action that actually does emerge? Are there any other factors of explanation that can be emphasised and which has induced the EU to act in a certain way with a certain level of intensity? It is important to note that the alternative factors discussed are mainly external factors as well. Internal factors such as for example disagreements between the different actors of the EU on the appropriate strategy have not been taken into account in this analysis, but might of course influence the choice of strategy, and as such also explain the variation of the EU´s external security policy. This may well be a task for future research.

4.3.3 Alternative explanatory factors

Turning to each relation, some general observations or alternative explanatory factors of the variation in intensity are now discussed. The EU has been most active towards the Mediterranean and Russia according to the general level of intensity. These producers are strategically important for the EU, for reasons referred to below. Moreover, some fairly recent developments concerning the two producers deserve mention in this regard. In 2006 a study prepared by NATO´s economic committee warned that Russia was working together with Algeria to form an OPEC- like gas cartel. Even though the possibility of such a cartel has been dismissed by most analysts because of the still largely regional nature of gas markets and because the other large gas producers would oppose a Russian leadership, it has probably had some consequences for the level of attention given towards the two producers from the EU. The level of contact has been fairly high between the two producers since Putin´s visit to Algeria in 2006, and this form of producer cooperation has implications for the European goal of diversifying supplies (Winrow 2008:176-177). It is notable that the empirical analysis reveals that the only producers towards which the EU has promoted mechanisms ensuring demand and supply forecasts and overall transparency concerning the supply situation are the Mediterranean and Russia.

As noted the political strategic conflictive instruments does not feature prominently in the EU´s external energy security policy. Yet, where the EU actually has pursued these instruments, most notably towards the Mediterranean and the Gulf region, the level of conflict is high and the regimes are dominantly not free. The strategic importance of the regions, especially of the Mediterranean for the overall security of the EU must be regarded as a contributing factor to this type of pattern. This is also reflected in the institutional frameworks

with the Mediterranean; terrorism, immigration issues and regional stability are all part of the encompassing political dialogues. Aspects such as the geographical proximity and historical colonial ties between some of the Northern African countries and EU members are worth mentioning in this regard. An interesting pattern emerges of the political strategy in the Mediterranean; at the same time as the region is the producer receiving most development aid, the EU also exports considerable amounts of conventional weapons to the Mediterranean countries. And while the EU is providing the region with military assistance for the sake of stability and peace building, the member states have not been shy of participating in interventions, and sanctions towards the countries also figure prominently among the sanctions in force from the EU. This "cycle" may be regarded as fairly paradoxical, and moreover, not necessarily contributing to the reliability of the producer. As such, this pattern has implications for the overall energy security of the Union.

Russia is the most important current supplier of natural gas to the EU and it is therefore not surprising that a lot of attention has been given towards this producer. Additionally, many of the incidents which have led to increased attention to energy security in the EU such as the gas crises have direct consequences for the EU- Russia relation. For example, the institutionalisation strategy has been pursued with high intensity towards Russia, this can be interpreted in line with the institutional liberalist logic; in order to alleviate the lack of trust that has followed from the different developments in the energy relationship since the inauguration of the energy dialogue 11 years ago, one can observe a heightened emphasis on different dialogues and frameworks. The establishment of the Early Warning Mechanism is a good example of this. Another observation relating more to the general pattern of action is that the institutional frameworks that are detected in the EU- Russia energy relations have functioned as a model for the other relations, for example the ECT, Energy dialogue and PCA. The puzzle is that even though they have not necessarily functioned well towards Russia, they have been transferred to other different contexts in a seemingly similar fashion. This can be seen for example in relation to the pursuit of including producers in the ECT, and thus the attempts to create a "European energy security regime" in line with the theoretical arguments of the institutional liberalists. It seems like the EU pursues more or less the same institutional arrangements regardless of which producer it engages with, with the notable exception of some variation between regional and bilateral arrangements given that the energy relations are established with individual countries or on a regional basis. Interestingly, a review of the policies towards the different counterparts reveals that the EU

has more or less the same objectives towards all of the regions; and thus aims at utilising roughly the same strategy towards all of its suppliers. In view of the ECT, it has been mentioned numerous times that this multilateral agreement has met resistance among the producers. The reasons behind this resistance seem to be that the producers feel that the provisions reflect consumer interests at the expense of producer interests, and that they are too much of a reflection of EU laws and regulations, which is perceived as intrusive and too different from their own energy regulations. These elements are thus inherent obstacles to ratification, and it has implications for the extent to which these provisions may be used to increase the availability of energy and reliability of the producers, i.e. energy security for the Union.

The empirical analysis identified that the EU has done comparatively little towards the Gulf region, both in terms of what could be expected, but also in relation to the other producers considered in the analysis. Several factors can be pointed to as possible explanations for this. Firstly, the EU is currently receiving the bulk of its oil supplies from the Gulf region, and therefore, there is a high degree of dependence on the region already. This may lead the EU to remain passive as a way of avoiding more dependence as long as there are other possible sources of gas supply. At the same time, the nature of the relationship with the GCC has been rather unproblematic besides the lengthy FTA negotiations, and the Gulf countries are stable suppliers to the world market. Additionally, as has been referred to, the nature of gas and the gas market have different implications for supply security than oil. Since the supply of gas for the most part is dependent on the existence of pipeline infrastructure, the factor of geographical proximity might be important: given that the Gulf region is relatively far off, and the pipelines have to transit considerable distances in order to arrive in the EU, not to mention the technical challenges this entails, the focus on the Gulf region may have been accordingly low up until now. Yet, one has seen an increased attention towards the Gulf region in relation to the development of the Southern Gas Corridor, even though this has not resulted in more concrete initiatives, compared to for example the Caspian region. The problems in the relationship with Iran were also noted in the Gulf chapter. Both in terms of transit and actual supply these difficulties have the potential of impeding and slowing down the relations with a big natural gas reserve holder in the Gulf region. Additionally, the conflict level detected in this region may have prevented the other strategies from being pursued. This can be observed in the Iraqi case where the EU has had a heightened institutional activity after the withdrawal of the US troops; in a situation of relative stability compared to the years after

the Saddam Hussein regime was overthrown and the conflict between insurgents and US troops was going on. It is worth noting that the member states policies have been prominent in the Gulf region for a long time, and this has implications for the extent to which the EU can promote its relations with the Gulf countries; with whom shall the countries relate? The UK, Germany or the Commission? The US presence also has a big impact in the region; this might be a reason for the EU to stay out of the area. However, the US is also fairly present in the Caspian region, so this might not be the most plausible reason for low activity.

Generally, it seems like the struggle for geopolitical influence is an aspect underscored by commentators for the regions where the EU does not yet have a foothold, or where the energy trade is not yet developed. There has been, and still is, a struggle for geopolitical influence in the Caspian region; both the US and Russia are present and seek more foothold. In fact, some of the countries in the region are dependent on Russian pipelines in order to ship resources to consumer markets (Larsson 2008:26). An important factor to note is that the policies of the EU in the Caspian region are not necessarily pursued on a separate track from the policies on Russia (Youngs 2009b:125). Nuriyev (2008:165) argues that the foreign policy of the EU towards Azerbaijan is dominated by concerns about how EU policies will affect its important relations with Russia. If this argument has some merit, the important element of diversification might be somewhat under pressure; if the EU pays considerable attention to what the Russians do in the Caspian region, and carves out its strategies bearing in mind the important relationship with Russia, it might be difficult to free itself from Russian dependency. On the other hand, if the EU remains passive towards the Caspian region, the consequences might be that the export of the Caspian gas reserves will take place through the Russian pipeline system, thereby undermining the possibility of diversification and reducing dependence on Russia (Cornell 2008:141). Thus, a dilemma emerges on how to relate to the Russian factor in the Caspian region, as well as the overall strategy towards the important gas producing countries. Still, the empirical analysis has shown that the EU has been pursuing the market and institutionalisation strategy with high intensity, including important aspects such as MoUs on energy, the ECT, regulatory harmonisation and free trade provisions. Moreover, the Nabucco is central for the possibility of diversifying and make use of Caspian resources for this purpose. This indicates that the EU realises the potential of the Caspian region as a strategic new supplier, and that the EU has not considered taking a passive stance towards the region. This development may have positive implications for the affordability and availability of natural gas, provided that the Nabucco brings more gas to the European market. However,

according to Youngs (2009b:125) the market- institutions strategy pursued by the EU in the Caspian region seems to have made little progress when compared to the power politics deployed by other players in the region such as China and Russia. According to Nuriyev (2008:163), the EU takes a "more or less neutral stance" towards the Caspian region when compared to other actors such as the US or Russia, as well as Iran and Turkey, although some member states can be said to have taken a more strategic stance (such as the UK, France, Germany and Italy). The present analysis has concurred that the EU has not pursued political strategic instruments with high intensity in the Caspian region, although the Nabucco is a notable exception to this observation. Moreover, even though the Caspian countries have shown some resistance towards the EU´s approach, it is still the producer the EU has successfully incorporated into several essential institutionalisation arrangements not achieved in other energy relations. Yet, the consequences of this strategy remain to be seen, and there is no arguing that the Caspian region is high on the EU´s external energy security policy agenda.

Some commentators have pointed to competition from consumers, most notably from China and the Asian markets, which are strengthening their relations with the Caspian region and to some degree also with Russia. They are perceived as challenges for the EU when it comes to realising its own strategies in the future. For the present analysis this factor cannot be said to have been very influential on the choice of strategy for the EU, other than it contributes to the general attention towards the energy regions given by all consumers of natural gas looking for ways to diversify their supplies. Additionally, given the existing relationship between the EU and Russia it does not seem that this will be a major problem for the Europeans in any foreseeable future.

Apart from market creation and institutionalisation, the level of intensity towards Norway has been comparatively low. A reason for this rather passive approach might be a great belief in the trustworthiness of Norway when it comes to supply of energy, as well as a good environment for investment, which makes the reliability of Norway as something that is almost taken for granted in the EU (Offerdal 2010:39). As a consequence, the importance of Norway as an energy supplier is often mentioned in official policy, but not necessarily in relation to the notion of energy security, as compared to for example the focus on Russia or the Caspian region (Offerdal 2010:35). Poland and other Central European countries have shown interest in concluding bilateral supply deals with Norway, according to Godzimiriski (2007:18) this illustrates an "approach to Norway as a remedy for European overdependence on Russian gas", mirroring the arguments from Offerdal (2010) regarding the perceived

reliability of Norway as a gas supplier. Moreover, it can be noted that the analysis of the EU-Norway energy relations point to a certain hierarchy among the three strategies which have guided the analysis; as long as the EU has been able to institutionalise its relationship with the producer in a supranationalist manner, and has incorporated it into important market structures, this has left the need for making use of the political strategy unnecessary. Even though this was not expected in the theory chapter, it seems like a valid interpretation, especially when compared to the other energy relations. Here, the EU has not been able incorporate the producers to the same extent into its preferred institutional and market regime, and therefore, the EU has resorted to other instruments as well for the sake of enhancing its energy security. This can be viewed for example in the Mediterranean or towards Russia.

All in all the factors that emerge as essential for an explanation of the way the EU has made use of the different strategies and thereby for the variation in the EU´s external energy security policy, are: firstly, the perception of the supplier in terms of stability, the importance of the current supplier role and the potential for future supply which is perceived with relatively high certainty. Secondly, geographical proximity and strategic position in terms of the overall security for the EU are relevant. The diversification logic is also important for the overall level of attention; this is especially evident towards the Caspian region and the efforts to make these supplies available for Europe. Finally, crisis management entailing increased attention after a supply crisis seems decisive for the variation. Additionally, even though the empirical expectation concerning resource richness was rejected, it is possible to observe a pattern on the regional level in terms of intensity; the EU has pursued bilateral relations through the institutionalisation and market strategies towards the countries with the most gas resources; Algeria, Egypt, Iran, Iraq and Turkmenistan. The case of Azerbaijan is somewhat deviant here; the EU has pursued the strategies with high intensity even though the country has the lowest resource richness in the region. A closer look at the institutionalisation efforts reveal however that it is the transit potential of the country that provides it with the strategic importance; if the Caspian supplies are to be made available the EU depends on Azerbaijan. A high conflict level has also induced the EU to use more of the political strategy, at least when the conflictive instruments are concerned, yet with relatively low intensity.

4.3.4 Implications

What are the implications of these findings for the way the external energy security policy of the EU can be explained? As was pointed to previously, a notable internal constraint for a

coherent energy policy is the fact that energy security is still very much tied up to the security of each member state. As such a large part of the instruments are still confined to the sovereignty of the member states. The empirical analysis has revealed instances where the member states acts alone, for example in the relations with Russia. These instances often reflect the fact that the different member states receive the bulk of their gas supply from different producers. The Baltic countries, as well as the eastern European countries receive most of their gas from Russia, and are therefore more prone to establish bilateral relations outside the common framework of the EU with Russia, whereas the southern Mediterranean member states receive almost all of their gas from North Africa and therefore are more prone to focus on the Mediterranean region. Besides the implications for the ability to "speak with one voice", this aspect of the external energy security policy also influences the way the producers view the EU and who they are supposed to relate to in Europe. These challenges were observed in the EU- Russia relations. Moreover, the empirical analysis revealed that there are often disagreements within the Union and lack of support for different initiatives; this has implications for the effectiveness of the external energy security policy of the EU.

The present analysis gives me reason to characterise the EU as an international energy actor in the following manner; firstly, the EU is a powerful consumer in the world´s gas market. All of the producers here have engaged with the EU probably as a result of the large export potential that lies in the European market, and the EU is thus able to utilise many of the instruments at its disposal. In the same way the EU seeks security of supply, the energy producers are keen on securing demand, and there is therefore a lot of potential leverage in the market power of the EU. This is illustrated by the way the EU has sought to make use of its market power; it offers assistance and market access in return for progress on reform that can promote stability and hence availability and reliability of energy supply. Basically, the EU utilises its market position to achieve access to natural gas. This form of conditionality or reciprocity can be detected in all of the energy relations of the EU.

Furthermore, the EU is very eager to secure a level playing field in the world, or more specifically the European gas market. In this lies a focus on rules- based behaviour as well as liberalisation of energy markets and energy trade. Also, it is possible to observe a focus on regionalisation in the external energy security policy of the EU; several initiatives aim at regional cooperation or integration, and this reflects the fact that regionalisation has been an all- embracing goal for the EU in all its external relations; the Union´s history is a testament of the fact that regional integration helps to achieve security, welfare and democracy

(Khasson et.al 2008:225). It has been reiterated that the EU prefers the market and institutionalisation strategies; they dominate in all the relations, as was expected. Concerning the theoretical debate around what instruments that best can provide for energy security, the EU is therefore definitely following the arguments of economic and institutional liberalists as an international energy actor. Following also the diversification logic, the EU has realised that it is essential to establish relations with as many producers as possible. In addition to the relations considered here, growing relations are set forth with countries of Sub- Saharan Africa, as well as Latin America. Nevertheless, a more nuanced picture can be observed; political strategic instruments, most notably political and financial support of infrastructure have been pursued in almost all of the energy relations. Yet, the EU is currently not an international energy actor making use of "hard power" to physically secure supplies, similar to common descriptions of the US. Foreign policy is being utilised, but the EU has resorted to the more cooperative strategic instruments, such as development aid, rather than the conflictive ones. These reflections seem to confirm that the notion of structural diplomacy (Keukeleire 2003) referred to in the introductory chapter also is relevant for the external energy security policy of the EU, and the EU as an international energy actor.

5 Conclusion

To sum up the findings of this thesis it is useful to recall the research question posed in the introductory chapter. Firstly, how does the EU´s external energy security policy vary? It has been demonstrated that the external energy policy varies in terms of intensity, that is, the EU has sought to use almost all of the instruments identified as available for a gas consumer, but to varying degrees towards different producers. For example, the EU has sought to create a market more towards the Caspian region than it has towards the Gulf region, whereas the Mediterranean has received more political strategic attention than the other producers. In some instances the EU has used more of one strategy and less of others, and this varies across the relations. It was assumed that certain characteristics of the producers could be an important part of the explanation for these differences, but the comparative analysis has shown that there are no systematic tendencies between the chosen characteristics of the producers and the level of intensity with which the EU pursues the different strategies. Thus, the answer to the research question is that yes, the EU relates itself differently to different producers in terms of what strategy it makes use of and with what intensity; as such there is variation in the external energy security policy of the EU. Yet, the explanatory factors that are presented here are not suitable for explaining variation in the EU´s pattern of action, and other factors have been pointed to, such as perceptions of supplier role, transit potential, geographical proximity, strategic importance in terms of security, crisis management and diversification, along with resource richness and conflict level to some degree on the regional level.

What can I say about the effects of these policies and instruments on the actual achievement of energy security? Answering this it is useful to recall the operationalisation of energy security, namely that it covers the notions of availability, reliability and affordability of supplies. An important note is that the effects of energy security policies often cannot be felt or measured for many years after they have been implemented. Regarding the present analysis, many of the initiatives have taken place over the last decade, as the development of an energy policy at community level is fairly recent. As such, the reflections regarding this subject are highly tentative. Nevertheless, it is possible to provide some general reflections. Basically, the efforts of the EU have primarily been focused on availability and reliability, and not so much on affordability, as this centres price policy first and foremost. Through diversification of supply and market creation, the EU has enhanced its possibilities of securing availability of supply. Moreover, through institutionalisation and political strategic

instruments it has also enhanced the possibilities for securing reliability, first and foremost of the exporters. By supporting the construction of pipelines the EU has also increased the possibility of enhanced availability and affordability, provided that the projects are realised and become both commercially and politically viable. As has been determined, the EU has institutionalised its relations to a high degree, and therefore also included more producers into "a complex web of interaction". Recalling the arguments of institutional liberalists this has the possibility of enhancing the confidence and collaboration of the parties necessary for the reliability of suppliers. Yet, the EU has not made use of many measures pertaining to risk management; this has implications for the reliability of energy. Furthermore, many of the attempts concerning both market creation and institutionalisation have been met with sometimes heavy opposition from the producers, thus limiting the advantages they can provide for the availability of supplies. Generally, the EU has sought to enhance energy security on two levels; both by securing supplies from the individual producer and by aiming at diversification.

What are the methodological considerations worth discussing after such an extensive analysis? Firstly it has to be reiterated that "no single publication can cover all the complex technical, economic and geo- strategic issues that define the energy relations" of the EU (Barysch 2008:3). I have strived to cover all the relevant aspects of the analytical framework, but I cannot firmly guarantee that I have not missed out on relevant information, simply because the empirical analysis is so encompassing. The advantage of such an extensive analysis is of course that the basis for stating an argument concerning how the external energy security policy can be explained becomes more valid, but it is important to make a reservation about the possibility of a complete data collection. This is especially relevant for the level of intensity and the way this has been determined with different standards of measurement, most notably the number of instruments and the content of the arrangement. Furthermore, an important method of data collection has been to look through all of the press releases concerning energy over the last seven years to determine how often the different producers figure in EU policy, as well as the different instruments these reflect. Yet with the method of structured and focused comparison I feel confident that the standardisation of data collection has been focused enough to avoid big shortages of information.

Moreover, the data on several of the instruments are based on statistical data, and in several instances aggregated data has been presented, pertaining to regions. Some reflections around measurement validity are therefore merited: firstly, not all of the data has been of the

best quality. This has been duly noted when relevant. Secondly, the producers that are regions often have an aggregated measure for the indicators utilised here; as such one gets a less nuanced picture. Nevertheless, for the sake of simplicity and standardisation I have regarded this as necessary. Lastly, regarding the levels pertaining to the indicators, as well as the level of intensity; they have been subject to my judgement. Based on the information gathered through the data collection I have set a limitation as to where the different levels should be placed, but I cannot rule out that these may be skewed, or that there are other ways of determining the levels. These reflections also point to another important aspect, namely the reliability of the study. I have included relevant data in the appendix, as well as documented the way I have collected the data, and where I have collected it from. This should be satisfactory according to the requirement of replicability.

Even though the systematic expected pattern could not be confirmed by the comparative analysis this study has contributed to shed light on some possible explanations for the way the EU has sought to enhance its energy security, and more generally to characterise the external energy security policy of the EU at a time when energy security is high on the agenda in Europe. Moreover, it has shown that the EU has related itself differently to various producers. As such, the EU has been able to show some flexibility in its energy relations. Whether or not this flexibility has been useful and ultimately enhanced the EU´s energy security is a task for future research.

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Appendix

Pipeline connection

Mediterranean region
Trans- Mediterranean pipeline: Algeria- Tunisia- Italia (Slovenia)
Medgaz: Algeria- Spain
Maghreb- Europe gas pipeline: Morocco- Spain
Green Stream: Libya- Italy
Gulf region
None to the EU
Russia
Brother Hood: Russia- Ukraine- Hungary
Transbalkan : Russia- Ukraine- Balkans
Finland Connector: Russia- Finland
Yamal: Russia- Belarus- Poland- Western Europe
Union Soyuz Export Line: Russia – Kazakhstan – Ukraine – Slovakia – Czech Republic –Germany – France
Northern Lights: Russia- Ukraine- Slovakia- Austria- Germany
Norway
Statpipe: Norway- Germany
Norpipe: Norway- Germany
Europipe I and II: Norway- Germany
Langeled: Norway- Great Britain
Vesterled: Norway- Great Britain
Franpipe: Norway- France
Zeepipe: Norway- Belgium
Caspian region
None to the EU

The criterion for inclusion is that the pipeline is physically connected to members of the EU. Unfortunately I have not been able to acquire meaningful information for comparative purposes regarding the participation of European Companies in the development of these pipelines. On a general level, European companies are sometimes part of the Consortium that develops and builds the pipeline, and other times they are operators of the European part of the pipeline.

Sources: Theodora (2008) and Liuhto (2009: 133)

Conflict level

	Interstate War (after 1945)	Intrastate War (after 1945)	Conflict level
Russia:	1 (USSR)	6 (incl. 3 USSR)	Medium
Norway:	0	0	Low

Gulf region:	Interstate War	Intrastate War	Conflict level
Bahrain	0	0	
Iran	1	5	
Iraq	5	9	
Kuwait	1	0	
Oman	1	1	
Qatar	1	0	
Saudi Arabia	2	0	
United Arab Emirates	1	0	
Total:	12	15	High

Mediterranean region:	Interstate War	Intrastate War	Conflict level
Morocco	2	0	
Lebanon	2	5	
Israel	6	1	
Jordan	3	1	
Egypt	6	1	
Algeria	0	2	
Syria	5	5	
Tunisia	0	0	
Turkey	3	2	
The Palestine*		1*	
Libya	1	0	
Total:	27	18	High

*The continuing occupation of the Palestinian areas is not reflected in these numbers, so they do not describe the situation accurately.

Caspian region:	Interstate war	Intrastate War	Conflict level
Azerbaijan	1	0	
Kazakhstan	0	0	
Uzbekistan	0	0	
Turkmenistan	0	0	
Average score:			Low/medium*

*The countries of the Caspian region was a part of the USSR between 1922 and 1991, and these numbers may therefore not reflect the exact number of wars, given that the name of the countries where finalised when they became independent in 1991. The numbers have to be seen in relation to the USSR numbers

Source: COW (2011)

Foreign direct investment (FDI)

EU27 FDI to the different countries, outflows in billion Euros				
	2007	2008	2009	Average in the time period:
Russia	9,9	3,5	3,7	5,7
Norway	18,2	26,3	0,0	14,8
Egypt	1,6	10,1	2,3	4,6
Israel	1,3	0,7	0,8	0,9
Turkey	15,7	6,2	4,4	8,8
Morocco	0,9	1,4	0,9	1,1
Algeria				(1998- 2001, in million $) 266, 5
Tunisia				(1994- 2003, in million $) 368, 63
GCC	4,7	18,7	3,1	8,8
Iran	0,2	0,1	- 0,1	0,2
EU´s share of the total amount of foreign investment in the country				
Azerbaijan		Just over 50%		
Kazakhstan	Around 54 %			

Sources: European Commission (2011a) for Russia to Morocco, GCC and Iran
UNCTAD (2011) for Algeria and Tunisia
Delegation of the European Union to Azerbaijan (2011) for Azerbaijan
Delegation of the European Union to Kazakhstan (2011) for Kazakhstan

Actors, decision- making procedures and legal bases concerning external energy security

The European Commission	The European Council	The European Parliament	The Council of the European Union
The Commission is the executive arm of the European Union, responsible for policy development and administration Is a central driving force for the development of energy policy at Community level Initiates policy, guards the treaties and is the implementing body of the bulk of policy within the Union Energy directorate the most important one for energy policy With regards to security of supply policy it "does not have means comparable to those it has in energy markets and sustainable energy policies" (IEA 2008: 85)	Made up of heads of state and government of member states as well as the Commission president Under the Lisbon Treaty it has become more involved in the wider energy policy development in the EU; after several summits since 2006 the Council has provided more detailed indications about what Europe´s energy policy should be. According to the IEA, this is an indication of the growing relevance of energy policy to wider strategic considerations. (IEA 2008: 32).	The members of the Parliament are elected directly by the citizens of the EU and are grouped in different political alliances or groups, and the introduction of the co- decision procedure referred to below has significantly extended the Parliament´s decision-making powers vis-á-vis the Council of the European Union In 1997 Matláry (1997: 124) noted that the European Parliament was playing an increasingly important role in the energy sector	The Council of the European Union and especially the councils of energy, transport and foreign policy ministers are comprised of members of national governments, and are relevant for energy matters. "Like the Parliament and unlike the Commission, the council has legislative powers" (Offerdal 2010: 33).
Policy development: New energy proposals are always prepared on the basis of wide stakeholder consultations, and as well as consultation groups such as the Madrid Forum (for the gas market) and the Gas Coordination Group. Consultations between the different EU institutions such as the European Commission and committees of the European parliament relevant for energy issues also take place. The complete structure of the decision- making process is too complicated to elaborate shortly on here: normally the Commission proposes a policy, and the proposal works its way through the system with the Council and the Parliament at central stage, reading, amending, giving opinions and eventually adopting the policy, a process that is deemed the co-decision procedure. This procedure is utilised for most decisions on energy policy (Article 251 of the EC Treaty). (For an enlightening graphic presentation of the structure of the co- decision procedure the reader is referred to the IEA energy policy review of the EU (2008: 26).			
The **legal bases** of energy security policy: "all EU energy legislation is based on the EU treaties (including the EURATOM), since the creation of the Union" (IEA 2008: 25). Up until the ratification of the Lisbon treaty in 2009, energy- related legislation has been introduced under a number of different legal bases, including environment (Art 175), external relations (various articles) and Trans- European Networks (Art 154). With the new Lisbon treaty, the EU´s competence has been enlarged and confirmed in relation to among other things the functioning of the internal market, security of energy supply and the interconnection of energy networks. In the development process, two principles have been highly respected; member states are responsible for their own energy mix, and indigenous energy resources are national, not European, resources.			

Sources: Matláry (1997: 106- 107, 113, 124), Offerdal (2010: 32- 33), IEA (2008: 18, 25, 27, 32).